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TITLE 3—THE PRESIDENT

PROCLAMATION 2932

ENLARGING THE MUIR WOODS NATIONAL MONUMENT, CALIFORNIA

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS the Muir Woods National Monument, California, was established by Proclamation No. 793 of January 9, 1908 (35 Stat. 2174), and was enlarged by Proclamations No. 1608 of September 22, 1921 (42 Stat. 2249), and No. 2122 of April 5, 1935 (49 Stat. 3443), to protect a most extraordinary growth of redwood trees (Sequoia Sempervirens) of primeval character; and

WHEREAS the said monument is comprised of various parcels of land conveyed to the United States, as donations, from time to time for national-monument purposes, as separately described and set out in the above-mentioned proclamations; and

WHEREAS the William Kent Estate Company, a corporation of the State of California, has conveyed to the United States, as a donation, a tract of land adjoining the southwesterly boundary of the monument to afford better protection to the monument and to promote its administration and development; and

WHEREAS the United States has acquired from the State of California a leasehold interest in a tract of land adjoining the southeasterly boundary of the monument to afford better protection to the monument and to promote its administration and development; and

WHEREAS there lies at the entrance to the monument a tract of land belonging to the William Kent Estate Company which is needed for additional visitor parking space and for other purposes incident to the proper development and administration of the monument and which is in process of acquisition by the United States for such purposes; and

WHEREAS it appears that it would be in the public interest (1) to enlarge the Muir Woods National Monument by adding thereto the said tract of land donated to the United States by the William Kent Estate Company and the said tract of land leased to the United States by the State of California, (2) to extend the boundaries of the monument so as to include therein such additional lands and the said tract of land owned by the William Kent Estate Company, and (3) to provide that the last-mentioned tract of land shall become a part of the monument upon acquisition of title thereto or control thereof by the United States:

NOW, THEREFORE, I, HARRY S. TRUMAN, President of the United States of America, under and by virtue of the authority vested in me by section 2 of the act of June 8, 1906, 34 Stat. 225 (16 U. S. C. 431), do proclaim that, subject to all valid existing rights, the lands within the following-described boundaries which are now owned or controlled by the United States shall constitute the Muir Woods National Monument, and that the above-described tract of land within such boundaries which is now owned by the William Kent Estate Company shall become a part of such monument upon the acquisition of title thereto or control thereof by the United States:

Beginning at a point shown as A-14 on the map included with and made a part of Presidential Proclamation No. 793, dated January 9, 1908 (35 Stat. 2174), establishing the Muir Woods National Monument, which is the northernmost point of the said monument as presently constituted.

From the initial point,
S. 17° 18′ E., 2828.40 ft.;
S. 4° 10′ E., 930.00 ft.;
S. 45° 17′ W., 282.80 ft.;
S. 26° 58′ 30″ E., 198.13 ft.;
S. 55° 11′ 10″ E., 565.58 ft.;
S. 5° 18′ W., 126.37 ft.;
S. 84° 42′ E., 83.23 ft.;
S. 84° 42′ E., 245.41 ft.;
S. 64° 46′ E., 216.16 ft.;
along a curve to the north with a radius of 1025.0 ft. for a distance of 28.325 ft.;
S. 66° 21′ E., 150.94 ft.;
thence along a curve to the south with a radius of 275.0 ft. for a distance of 95.073 ft.;
S. 38° 05′ W., 143.10 ft.;
S. 8° 12′ 30″ E., 491.22 ft.;
N. 74° 56′ W., 894.16 ft.;
N. 74° 56′ W., 294.76 ft.;
S. 64° 12′ W., 20.85 ft.;
S. 83° 37′ W., 779.66 ft.;
N. 75° 57′ W., 850.32 ft.;
N. 47° 27′ W., 1450.00 ft.;
N. 47° 48′ W., 1050.00 ft.;
S. 49° 34′ W., 93.44 ft.;
S. 85° 58′ W., 462.81 ft.;
N. 11° 36′ E., 199.28 ft.;
N. 78° 24′ W., 78.62 ft.;
N. 84° 39′ W., 187.00 ft.;
N. 68° 59′ W., 88.00 ft.;
N. 53° 36′ W., 309.37 ft.;
N. 52° 03′ W., 621.56 ft.;

(Continued on p. 6271)

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THE PRESIDENT

EXECUTIVE AGENCIES

FEDERAL REGISTER

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CODIFICATION GUIDE

A numerical list of the parts of the Code of Federal Regulations affected by documents published in this issue. Proposed rules, as opposed to final actions, are identified as such.

CODIFICATION GUIDE—Con.

N. 31° 49′ W., 258.89 ft.;
S. 51° 52′ W., 449.53 ft.;
S. 52° 34′ W., 877.94 ft.;
S. 49° 34′ W., 299.10 ft.;
N. 70° 42′ W., 200.00 ft.;
N. 52° 26′ W., 499.39 ft.;
S. 73° 17′ W., 239.73 ft.;
N. 85° 35′ W., 319.84 ft.;
N. 65° 37′ W., 539.52 ft.;
N. 42° 28′ W., 378.05 ft.;
N. 42° 28′ W., 75.00 ft.;
N. 59° 57′ E., 3626.90 ft.;
S. 89° 39′ E., 1341.70 ft.;
S. 65° 41′ E., 1017.20 ft.;
N. 83° 42′ E., 857.50 ft.;
N. 55° 28′ E., 1550.00 ft. to the point of beginning;

containing 504.271 acres, more or less.

The Director of the National Park Service, under the direction of the Secretary of the Interior, shall have the supervision, management, and control of the said Muir Woods National Monument, as provided in the act of August 25, 1916, ch. 408, 39 Stat. 535, and acts additional thereto or amendatory thereof.

Warning is hereby expressly given to all unauthorized persons not to appropriate, injure, destroy, or remove any feature of this monument and not to locate or settle upon any of the lands thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

DONE at the City of Washington this twenty-sixth day of June in the year of our Lord nineteen hundred and [SEAL] fifty-one, and of the Independence of the United States of America the one hundred and seventy-fifth.

HARRY S. TRUMAN

By the President:

DEAN ACHESON,
Secretary of State.

[F. R. Doc. 51-7565; Filed, June 27, 1951; 5:14 p. m.]

EXECUTIVE ORDER 10259

DELEGATING TO THE SECRETARY OF STATE THE AUTHORITY VESTED IN THE PRESIDENT BY TITLE V OF THE FOREIGN ECONOMIC ASSISTANCE ACT OF 1950 RELATING TO INTERNATIONAL CHILDREN'S WELFARE WORK

By virtue of the authority vested in me by section 1 of the act of August 8, 1950, 64 Stat. 419 (Public Law 673, 81st Congress), and as President of the United States, I hereby delegate to the Secretary of State and to any Assistant Secretary of State designated by him the authority vested in the President by Title V of the Foreign Economic Assistance Act of 1950 (64 Stat. 209, Public Law 535, 81st Congress) relating to international children's welfare work.

HARRY S. TRUMAN

THE WHITE HOUSE,
June 27, 1951.

[F. R. Doc. 51-7537; Filed, June 27, 1951; 4:20 p. m.]

EXECUTIVE ORDER 10260

DESIGNATING CERTAIN AGENCIES PURSUANT TO SECTION 103 (a) OF THE RENEGOTIATION ACT OF 1951

By virtue of the authority vested in me by the Renegotiation Act of 1951 (Public Law 9, 82nd Congress), hereinafter referred to as the Act, and as President of the United States, it is ordered as follows:

1. The Federal Civil Defense Administration, the National Advisory Committee for Aeronautics, the Tennessee Valley Authority, and the United States Coast Guard, each of which exercises functions having a direct and immediate connection with the national defense, are hereby designated, pursuant to section 103 (a) of the Act, as agencies of the Government included within the definition of the term "Department" for the purposes of Title I of the Act.

2. In accordance with section 102 of the Act, the provisions of Title I of the Act shall be applicable to all contracts with each agency designated in paragraph 1 of this order, and related subcontracts, to the extent of the amounts received or accrued by a contractor or subcontractor on or after the first day of July 1951, whether such contracts or subcontracts were made on, before, or after that date.

HARRY S. TRUMAN

THE WHITE HOUSE,
June 27, 1951.

[F. R. Doc. 51-7536; Filed, June 27, 1951; 4:20 p. m.]

EXECUTIVE ORDER 10261

AMENDMENT OF EXECUTIVE ORDER NO. 10000 [1] OF SEPTEMBER 16, 1948, PRESCRIBING REGULATIONS GOVERNING ADDITIONAL COMPENSATION AND CREDIT GRANTED CERTAIN EMPLOYEES OF THE FEDERAL GOVERNMENT SERVING OUTSIDE THE UNITED STATES

By virtue of the authority vested in me by sections 303, 443, and 853 of the For-

[1] 13 F. R. 5453, 6075; 3 CFR, 1948 Supp.

eign Service Act of 1946 (60 Stat. 1002, 1006, 1024; 22 U. S. C. 843, 888, 1093), by the act of August 8, 1950 (64 Stat. 419; 3 U. S. C. 301–303), and as President of the United States, it is ordered as follows:

1. Sections 402, 503, and 601 of Executive Order No. 10000 of September 16, 1948, are hereby amended to read as follows:

"SEC. 402. *Salary differentials.* Foreign Service staff officers and employees at the posts referred to in section 401, above, shall, while such posts remain Foreign Service differential posts, be paid additional compensation in the form of salary differentials at rates not to exceed 25 percent of the basic salary rates of the staff corps pay schedule, in accordance with such regulations as the Secretary of State may prescribe."

"SEC. 503. *Designation and cancellation of designation of unhealthful posts.* The Secretary of State is hereby authorized and empowered to exercise the authority vested in the President by section 853 of the Foreign Service Act of 1946 (22 U. S. C. 1093) to establish from time to time a list of places which by reason of climatic or other extreme conditions are to be classed as unhealthful posts and to cancel the designation of any places as unhealthful. Each place designated as unhealthful by the Secretary hereunder shall be so designated as of January 1, 1942, or as of a later date to be fixed by the Secretary. The provisions of sections 501 and 502 of this Executive order shall be subject to the authority delegated to the Secretary of State by this section."

"SEC. 601. *Publication.* Regulations prescribed by the Secretary of State and the Civil Service Commission, and designations of places and rates fixed by them, under or pursuant to this order shall be published in the FEDERAL REGISTER."

2. Section 404 of the said Executive Order No. 10000 is hereby revoked.

HARRY S. TRUMAN

THE WHITE HOUSE,
June 27, 1951.

[F. R. Doc. 51–7538; Filed, June 27, 1951; 4:20 p. m.]

RULES AND REGULATIONS

TITLE 5—ADMINISTRATIVE PERSONNEL

Chapter I—Civil Service Commission

PART 6—EXCEPTIONS FROM THE COMPETITIVE SERVICE

DEPARTMENT OF DEFENSE; COURT OF MILITARY APPEALS

Effective upon publication in the FEDERAL REGISTER, a new paragraph (d) is added to § 6.104 as follows:

§ 6.104 *Department of Defense.*

* * *

(d) *Court of Military Appeals.* (1) One private secretary and two technical assistants to each Judge of the Court.

(R. S. 1753, sec. 2, 22 Stat. 403, 5 U. S. C. 631, 633; E. O. 9880, Feb. 24, 1947, 12 F. R. 1259; 3 CFR, 1947 Supp. E. O. 9973, June 28, 1948, 13 F. R. 3600; 3 CFR, 1948 Supp.)

UNITED STATES CIVIL SERVICE COMMISSION,
[SEAL] ROBERT RAMSPECK,
Chairman.

[F. R. Doc. 51–7468; Filed, June 28, 1951; 8:47 a. m.]

PART 27—EXCLUSION FROM PROVISIONS OF FEDERAL EMPLOYEES PAY ACT OF 1945, AS AMENDED, AND CLASSIFICATION ACT OF 1949, AND ESTABLISHMENT OF MAXIMUM STIPENDS FOR POSITIONS IN GOVERNMENT HOSPITALS FILLED BY STUDENT OR RESIDENT TRAINEES

MAXIMUM STIPENDS

Effective May 31, 1951, the maximum stipends prescribed in § 27.2 under the heading *All other Federal hospitals* are amended to read as set out below:

§ 27.2 *Maximum stipends prescribed.*

* * *

All other Federal hospitals:

Approved internship, per year	$2,200
First year approved residency	3,400
Second year approved residency	3,800
Third year approved residency	$4,200
Fourth year approved residency	4,700

(61 Stat. 727; 5 U. S. C. 1051–1058)

UNITED STATES CIVIL SERVICE COMMISSION,
[SEAL] ROBERT RAMSPECK,
Chairman.

[F. R. Doc. 51–7467; Filed, June 28, 1951; 8:47 a. m.]

TITLE 6—AGRICULTURAL CREDIT

Chapter I—Farm Credit Administration, Department of Agriculture

Subchapter B—Federal Farm Loan System

[Farm Credit Administration Order 524]

PART 10—FEDERAL LAND BANKS GENERALLY

INTEREST RATES ON LOANS MADE THROUGH ASSOCIATIONS

Effective July 1, 1951, § 10.4 of Title 6 of the Code of Federal Regulations, as amended (14 F. R. 851), is hereby amended to read as follows:

§ 10.4 *Interest rates on loans made through associations.* Approval is hereby given to an interest rate of 4 per centum per annum on loans by banks through associations generally, and to an interest rate of 4½ per centum per annum on:

(a) Loans by the Federal Land Bank of Springfield applied for through associations on and after January 1, 1949; and

(b) Loans by the Federal Land Bank of Baltimore applied for through associations on and after October 1, 1951;

and to an interest rate of 5 per centum per annum on loans by the Federal Land Bank of Columbia applied for through associations on and after July 1, 1951; notwithstanding such loan interest rates exceed by more than 1 per centum per annum the interest rate on the Federal farm loan bonds of the last series issued prior to the making of any such loans (but for higher interest rates approved for loans on special classes of property in the continental United States, see § 10.5). [22]

(Sec. 6, 47 Stat. 14; 12 U. S. C. 665. Interprets or applies secs. 4, 12 "Second," 17, 39 Stat. 362, 370, 375, as amended; 12 U. S. C. 672, 771 "Second," 831)

[SEAL] I. W. DUGGAN,
Governor,
Farm Credit Administration.

[F. R. Doc. 51–7481; Filed, June 28, 1951; 8:46 a. m.]

Chapter III—Farmers Home Administration, Department of Agriculture

Subchapter B—Farm Ownership Loans

PART 311—BASIC REGULATIONS

SUBPART B—LOAN LIMITATIONS

AVERAGE VALUES OF FARMS AND INVESTMENT LIMITS; ARIZONA

For the purposes of Title I of the Bankhead-Jones Farm Tenant Act, as amended, the average value of efficient family-type farm-management units and the investment limit for the county identified below are determined to be as herein set forth. The average value and the investment limit heretofore established for said county, which appear in the tabulations of average values and investment limits under § 311.30, Chapter III, Title 6 of the Code of Federal Regulations (13 F. R. 9381), are hereby superseded by the average value and the investment limit set forth below for said county.

ARIZONA

County	Average value	Investment limit
Greenlee	$22,000	$12,000

(Sec. 41, 60 Stat. 1066; 7 U. S. C. 1015. Interprets or applies secs. 3, 44, 60 Stat. 1074, 1069; 7 U. S. C. 1003, 1018)

Issued this 26th day of June 1951.

[SEAL] CHARLES F. BRANNAN,
Secretary of Agriculture.

[F. R. Doc. 51-7483; Filed, June 28, 1951; 8:45 a. m.]

PART 311—BASIC REGULATIONS

SUBPART B—LOAN LIMITATIONS

AVERAGE VALUES OF FARMS AND INVESTMENT LIMITS; RHODE ISLAND

For the purposes of Title I of the Bankhead-Jones Farm Tenant Act, as amended, the average value of efficient family-type farm-management units and the investment limit for the county identified below are determined to be as herein set forth; and § 311.30, Chapter III, Title 6 of the Code of Federal Regulations (13 F. R. 9381), is amended by adding said county, average value, and investment limit to the tabulations appearing in said section under the State of Rhode Island.

RHODE ISLAND

County	Average value	Investment limit
Bristol	$15,000	$12,000

(Sec. 41, 60 Stat. 1066; 7 U. S. C. 1015. Interprets or applies secs. 3, 44, 60 Stat. 1074, 1069; 7 U. S. C. 1003, 1018)

Issued this 26th day of June 1951.

[SEAL] CHARLES F. BRANNAN,
Secretary of Agriculture.

[F. R. Doc. 51-7479; Filed, June 28, 1951; 8:46 a. m.]

PART 311—BASIC REGULATIONS

SUBPART B—LOAN LIMITATIONS

AVERAGE VALUES OF FARMS AND INVESTMENT LIMITS; RHODE ISLAND

For the purposes of Title I of the Bankhead-Jones Farm Tenant Act, as amended, average values of efficient family-type farm-management units and investment limits for the counties identified below are determined to be as herein set forth. The average values and investment limits heretofore established for said counties, which appear in the tabulations of average values and investment limits under § 311.30, Chapter III, Title 6 of the Code of Federal Regulations (13 F. R. 9381), are hereby superseded by the average values and investment limits set forth below for said counties.

RHODE ISLAND

County	Average value	Investment limit
Kent	$15,000	$12,000
Newport	15,000	12,000
Providence	15,000	12,000

(Sec. 41, 60 Stat. 1066; 7 U. S. C. 1015. Interprets or applies secs. 3, 44, 60 Stat. 1074, 1069; 7 U. S. C. 1003, 1018.)

Issued this 26th day of June 1951.

[SEAL] CHARLES F. BRANNAN,
Secretary of Agriculture.

[F. R. Doc. 51-7480; Filed, June 28, 1951; 8:46 a. m.]

Subchapter F—Miscellaneous Regulations

PART 381—DISASTER LOAN PROGRAM

MAKING AND SERVICING OF DISASTER LOANS

The introduction to § 381.6 in Title 6, Code of Federal Regulations (16 F. R. 3970), is amended to provide that disaster loans approved on or after July 1, 1951, will bear interest at the rate of 5 percent per annum, and as so amended reads as follows:

§ 381.6 *Rates and terms.* Disaster loans approved on or after July 1, 1951, will bear interest from the date of the advance at the rate of 5 percent per annum on the unpaid principal balance. Such loans will be scheduled for repayment in accordance with the following policies:

(R. S. 161; 5 U. S. C. 22. Interprets or applies sec. 2, 63 Stat. 44; 12 U. S. C. 1148a-2)

DERIVATION: § 381.6 contained in FHA Instruction 445.1.

[SEAL] DILLARD B. LASSETER,
Administrator,
Farmers Home Administration.

JUNE 21, 1951.

Approved: June 26, 1951.

CHARLES F. BRANNAN,
Secretary of Agriculture.

[F. R. Doc. 51-7477; Filed, June 28, 1951; 8:47 a. m.]

PART 382—FUR LOAN PROGRAM

RATES AND TERMS

The introduction to § 382.5 in Title 6, Code of Federal Regulations (14 F. R. 4775), is amended to provide that fur loans approved on or after July 1, 1951, will bear interest at the rate of 5 percent per annum, and as so amended reads as follows:

§ 382.5 *Rates and terms.* The amount of the loan will be determined by the minimum actual needs of the applicant. Fur loans approved on or after July 1, 1951, will bear interest from the date of the advance at the rate of 5 percent per annum on the unpaid principal. Such loans will be scheduled for repayment in installments extending over the minimum period of time consistent with the applicant's anticipated ability to repay, as determined from an analysis of his operations, subject to the following:

(R. S. 161; 5 U. S. C. 22. Interprets or applies sec. 1, 63 Stat. 43; 12 U. S. C. 1148a-1)

DERIVATION: § 382.5 contained in FHA Instruction 446.1.

[SEAL] DILLARD B. LASSETER,
Administrator,
Farmers Home Administration.

JUNE 21, 1951.

Approved: June 26, 1951.

CHARLES F. BRANNAN,
Secretary of Agriculture.

[F. R. Doc. 51-7478; Filed, June 28, 1951; 8:46 a. m.]

TITLE 14—CIVIL AVIATION

Chapter I—Civil Aeronautics Board

[Regs., Serial No. SR-363]

PART 40—AIR CARRIER OPERATING CERTIFICATION

PART 60—AIR TRAFFIC RULES

PART 61—SCHEDULED AIR CARRIER RULES

LONG-DISTANCE DOMESTIC SCHEDULED AIR CARRIER OPERATIONS

Adopted by the Civil Aeronautics Board at its office in Washington, D. C., on the 21st day of June 1951.

Special Civil Air Regulation SR-346 which currently expires June 30, 1951, provides special operating rules for scheduled air carriers operating in accordance with Part 61 at altitudes in excess of 12,500 feet above sea level east of longitude 100° W. and at altitudes in excess of 14,500 feet above sea level west of longitude 100° W. in long-distance operations. At the time that special regulation was adopted it was anticipated that a revision of Parts 40 and 61, which would incorporate provisions similar to those contained in SR-346, would be completed prior to June 30, 1951. However, while the Board's Bureau of Safety Regulation has been actively engaged in that project, the revision has not been completed. It is, therefore, deemed desirable to extend, in the interest of continuity in scheduled air carrier operations, the effective date of SR-346 until June 30, 1952, or until such earlier date as the projected revision may become effective.

Interested persons have been afforded an opportunity to participate in the making of this rule, and due consideration has been given to all relevant matter submitted. Since this regulation imposes no additional burden on any person, it may be made effective without prior notice.

In consideration of the foregoing the Civil Aeronautics Board makes and promulgates the following Special Civil Air Regulation, effective immediately, to read as follows:

Flights of scheduled air carriers while at altitudes in excess of 12,500 feet above sea level east of longitude 100° W. and 14,500 feet above sea level west of longitude 100° W. shall comply with the applicable provisions of the Civil Air Regulations except as follows:

(a) Such flights need not comply with the requirements of § 60.45 Right-side traffic, § 61.252 Deviation from route, or any sections of Parts 40 and 61 concerning civil airways.

(b) Such flights need not comply with the requirements of § 60.43 Air traffic clearance, § 60.21 Adherence to air traffic clearances, § 60.47 Radio communications, and § 61.171 (c) Weather reports, except to the extent which the Administrator may prescribe.

(c) Each pilot in command engaged in those operations shall be qualified for the route, if he is qualified for operations over any regular authorized route for the air carrier involved between the regular terminals for such operations.

(d) Each dispatcher who dispatches aircraft on flights authorized by this regulation shall be qualified under § 61.154 of the Civil Air Regulations for operation over an authorized route for the air carrier involved between the regular terminals of such operations: *Provided*, That, when he is qualified only on a portion of such route he may dispatch aircraft only after coordinating the dispatch with dispatchers who are qualified for the other portions of the route between the points to be served.

This regulation supersedes Special Civil Air Regulation SR–346, and shall terminate June 30, 1952, unless sooner superseded or rescinded.

(Sec. 205, 52 Stat. 984; 49 U. S. C. 425. Interpret or apply secs. 601, 604, 52 Stat. 1007, as amended, 1010; 49 U. S. C. 551, 554)

By the Civil Aeronautics Board.

[SEAL] M. C. MULLIGAN,
Secretary.

[F. R. Doc. 51–7484; Filed, June 28, 1951; 8:45 a. m.]

[Supp. 2, Amdt. 15]

PART 60—AIR TRAFFIC RULES

MINIMUM EN ROUTE INSTRUMENT ALTITUDES

The minimum en route instrument altitude alterations appearing hereinafter are adopted when indicated in order to promote safety of the flying public. Compliance with the notice, procedures, and effective date provisions of section 4 of the Administrative Procedure Act would be impracticable and contrary to the public interest, and therefore is not required. Part 60 is amended as follows:

1. Section 60.17–12 *Green Civil Airway No. 2*, is amended by adding:

From—	To—	Minimum altitude
Bismarck, N. Dak. (VOR) via direct or 15° N. altitude radial.	Jamestown, N. Dak. (VOR) via direct or 15° N. altitude radial.	3,400
Jamestown, N. Dak. (VOR) via direct or 15° N. altitude radial.	Fargo, N. Dak. (VOR) via direct or 15° N. altitude radial.	2,800
Fargo, N. Dak. (VOR) via direct or 15° NE altitude radial.	Alexandria, Minn. (VOR) via direct or 15° NE. altitude radial.	2,800
Alexandria, Minn. (VOR) via direct or 15° NE. altitude radial.	Minneapolis, Minn. (VOR) via direct or 15° NE. altitude radial.	[1] 2,600
La Crosse, Wis. (VOR) via direct or 15° NE. altitude radial.	Lone Rock, Wis. (VOR) via direct or 15° NE. altitude radial.	2,500

[1] 2,900′—Minimum continuous VOR reception altitude.

2. Section 60.17–13 *Green Civil Airway No. 3*, is amended by adding:

From—	To—	Minimum altitude
Naperville, Ill. (VOR) via radial 120.	Chicago Heights, Ill. (VOR) via radial 300.	2,300
Chicago Heights, Ill. (VOR) via direct or 15° S. altitude radial.	Millersburg, Ind. (VOR) via direct or 15° S. altitude radial.	2,100
Millersburg, Ind. (VOR) via radial 90.	Archbold, Ohio (INT).	[1] 2,300
Archbold, Ohio (INT).	Toledo, Ohio (VOR) via radial 273.	2,000
Millersburg, Ind. (VOR) via radials 75 or 105.	Toledo, Ohio (VOR) via radials 258 or 288.	[1] 2,300
Toledo, Ohio (VOR) via radial 095.	Sandusky, Ohio (INT).	2,000
Sandusky, Ohio (INT).	Cleveland, Ohio (VOR) via radial 278.	1,900
Cleveland, Ohio (VOR) via direct 15° N. altitude radial.	Youngstown, Ohio (VOR) via direct or 15° N. altitude radial.	2,600
Toledo, Ohio (VOR) via radial 121.	Int. Toledo, Ohio (VOR) radial 121 and W. crs. Wellington, Ohio (VAR).	2,200
Int. Toledo, Ohio (VOR) radial 121 and W. crs. Wellington, Ohio (VAR).	Wellington, Ohio (VAR) via VAR.	2,200
Wellington, Ohio (VAR) via VAR.	Int. E. crs. Wellington, Ohio (VAR) and Youngstown, Ohio (VOR) radial 255.	2,600
Int. E. crs. Wellington, Ohio (VAR) and Youngstown, Ohio (VOR) radial 255.	Youngstown, Ohio (VAR) via radial 255.	2,600

[1] 3,000′—Minimum continuous VOR reception altitude.

3. Section 60.17–14 *Green Civil Airway No. 4*, is amended by adding:

From—	To—	Minimum altitude
St. Louis, Mo. (VOR) via direct or 15° N. and S. altitude radials.[1]	Loogootee, Ill. (VOR) via direct or 15° N. and S. altitude radials.	2,000
Loogootee, Ill. (VOR) via direct or 15° N. and S. altitude radials.	Terre Haute, Ind, (VOR) via direct or 15° N. and S. altitude radials.	2,000
Terre Haute, Ind. (VOR) via direct or 15° N. altitude radial.	Indianapolis, Ind. (VOR) via direct or 15° N. altitude radial.	2,100
Indianapolis, Ind. (VOR) via direct or 15° N. altitude radial.	Dayton, Ohio (VOR) via direct or 15° N. altitude radial.	2,300
Dayton, Ohio (VOR) via direct or 15° N. altitude radial.	Columbus, Ohio (VOR) via direct or 15° N. altitude radial.	2,300

[1] This route is associated with this airway since the route lies within the control area established for this airway.

4. Section 60.17–105 *Amber Civil Airway No. 5*, is amended by adding:

From—	To—	Minimum altitude
St. Louis, Mo. (VOR) via direct or 15° W. altitude radial.	Springfield, Ill. (VOR) via direct or 15° W. altitude radial.	2,000
Springfield, Ill. (VOR) via direct or 15° E. altitude radial.	Pontiac, Ill. (VOR) via direct or 15° E. altitude radial.	2,200
Pontiac, Ill. (VOR) via direct or 15° E. altitude radial.	Naperville, Ill. (VOR) via direct or 15° E. altitude radial.	2,000
Int. Milwaukee, Wis. (VOR) radial 179 and Chicago Heights, Ill. (VOR) radial 340.	Milwaukee, Wis. (VOR) via radial 179.	2,100

5. Section 60.17–10 *Amber Civil Airway No. 6*, is amended by adding:

From—	To—	Minimum altitude
Nashville, Tenn. (VOR) via direct or 15° E. altitude radial.	Bowling Green, Ky. (VOR) via direct or 15° E. altitude radial.	2,000
Bowling Green, Ky. (VOR) via radial 45.	Louisville, Ky. (VOR) via radial 187.	2,200
Bowling Green, Ky. (VOR) via 15° E. altitude radial.	Louisville, Ky. (VOR) via 15° E. altitude radial.	[1] 2,200
Louisville, Ky. (VOR) via direct or 15° E. altitude radial.	Cincinnati, Ohio (VOR) via direct or 15° E. altitude radial.	2,400
Columbus, Ohio (VOR) via direct or 15° W. altitude radial.	Mansfield, Ohio (VOR) via direct or 15° W. altitude radial.	2,500
Mansfield, Ohio (VOR) via direct radial.	Cleveland, Ohio (VOR) via direct radial.	2,600

[1] 2,600′—Minimum continuous VOR reception altitude.

6. Section 60.17–211 *Red Civil Airway No. 11*, is amended by adding:

From—	To—	Minimum altitude
St. Louis, Mo. (VOR) via direct or 15° S. altitude radial.	Evansville, Ind. (VOR) via direct or 15° S. altitude radial.	[1] 2,100
Evansville, Ind. (VOR) via radial 76 or 15° N. altitude radial.	Louisville, Ky. (VOR) via radial 267 or 15° N. altitude radial.	[2] 2,100

[1] 4,400′—Minimum continuous VOR reception altitude.
[2] 2,500′—Minimum continuous VOR reception altitude.

7. Section 60.17–212 *Red Civil Airway No. 12*, is amended by adding:

From—	To—	Minimum altitude
Naperville, Ill. (VOR) via radial 88.	Int. Chicago (Midway), Ill. ILS localizer crs. and Chicago Heights, Ill. (VOR) radial 331.	2,300
Int. Chicago (Midway), Ill. ILS localizer crs. and Chicago Heights, Ill. (VOR) radial 331.	South Bend, Ind. (VOR) via radial 271.	2,300
South Bend, Ind. (VOR) via radial 75.	Int. South Bend, Ind. (VOR) radial 75 and Millersburg, Ind. (VOR) radial 344.	2,000
Int. South Bend, Ind. (VOR) radial 75 and Millersburg, Ind. (VOR) radial 344.	Litchfield, Mich. (VOR) via radial 258.	2,400
South Bend, Ind. (VOR) via 15° N. altitude radial.	Litchfield, Mich. (VOR) via 15° N. altitude radial.	2,400
Litchfield, Mich. (VOR) via direct or 15° N. altitude radial.	Detroit, Mich. (VOR) via direct or 15° N. altitude radial.	2,400

8. Section 60.17–214 *Red Civil Airway No. 14*, is amended by adding:

From—	To—	Minimum altitude
Indianapolis, Ind. (VOR) via direct or 15° W. altitude radial.	Lafayette, Ind. (VOR) via direct or 15° W. altitude radial.	2,100
Lafayette, Ind. (VOR) via direct or 15° E. and W. altitude radials.	Chicago Heights, Ill. (VOR) via direct or 15° E. and W. altitude radials.	2,000

From—	To—	Minimum altitude
Indianapolis, Ind. (VOR) via radial 340.	Int. Indianapolis, Ind. (VOR) radial 340 and Chicago Heights, Ill. (VOR) 15° E. altitude radial 138.	1 2,100
Int. Indianapolis, Ind. (VOR) radial 340 and Chicago Heights, Ill. (VOR) 15° E. altitude radial 138.	Int. Chicago Heights, Ill. (VOR) 15° E. altitude radial 138 and Lafayette, Ind. (VOR) 15° E. altitude radial via Chicago Heights, Ill., 15° E. altitude radial 138.	1 2,100
Chicago Heights, Ill. (VOR) via radial 331.	Int. Chicago (Midway), Ill. ILS localizer crs. and Chicago Heights, Ill. (VOR) radial 331.	2,000
Janesville, Wis. (VOR) via direct or 15° SW. altitude radial.	Lone Rock, Wis. (VOR) via direct or 15° SW. altitude radial.	3,100

1 3,700'—Minimum continous VOR reception altitude.

9. Section 60.17–217 *Red Civil Airway No. 17*, is amended by adding:

From—	To—	Minimum altitude
Fort Wayne, Ind. (VOR) via direct or 15° S. altitude radial.	Findlay, Ohio (VOR) via direct or 15° S. altitude radial.	2,200
Findlay, Ohio (VOR) via direct or 15° N. altitude radial.	Mansfield, Ohio (VOR) via direct or 15° N. altitude radial.	2,500
Mansfield, Ohio (VOR) via direct radial.	Bergholz, Ohio (RBN).	2,700
Bergholz, Ohio (BRN)	Pittsburgh, Pa. (VOR) via direct radial.	2,700

10. Section 60.17–227 *Red Civil Airway No. 27*, is amended by adding:

From—	To—	Minimum altitude
Cincinnati, Ohio (VOR) via direct or 15° W. altitude radial.	Dayton, Ohio (VOR) via direct or 15° W. altitude radial.	2,300
Findaly, Ohio (VOR) via radial 026.	Bowling Green, Ohio (FM).	2,100
Bowling Green, Ohio (FM).	Toledo, Ohio (VOR) Via radial 208.	1,900

11. Section 60.17–246 *Red Civil Airway No. 46*, is amended by adding:

From—	To—	Minimum altitude
Aberdeen, S. Dak. (VOR) via direct radial.	Jamestown, N. Dak. (VOR) via direct radial.	2,800

12. Section 60.17–255 *Red Civil Airway No. 55*, is amended by adding:

From—	To—	Minimum altitude
Burlington, Iowa (VOR) via direct radial.	Peoria, Ill. (LFR)	2,000
Peoria, Ill. (LFR)	Pontiac, Ill. (VOR) via direct radial.	2,000
South Bend, Ind. (VOR) via direct radial.	Millersburg, Ind. (VOR) via direct radial.	2,200
Findlay, Ohio (VOR) via direct or 15° SW. altitude radial.	Columbus, Ohio (VOR) via direct or 15° SW. altitude radial.	2,500

13. Section 60.17–289 *Red Civil Airway No. 89*, is amended by adding:

From—	To—	Minimum altitude
Quincy, Ill. (VOR) via direct radial.	Peoria, Ill. (LFR)	1,900

14. Section 60.17–606 *Blue Civil Airway No. 6*, is amended by adding:

From—	To—	Minimum altitude
Springfield, Ill. (VOR) via direct radial.	Peoria, Ill. (LFR)	2,000
Peoria, Ill. (LFR)	Bradford, Ill. (VOR) via direct radial.	2,000

15. Section 60.17–613 *Blue Civil Airway No. 13*, is amended by adding:

From—	To—	Minimum altitude
Mason City, Iowa (VOR) via direct or 15° W. altitude radial.	Minneapolis, Minn. (VOR) via direct or 15° W. altitude radial.	2,000

16. Section 60.17–644 *Blue Civil Airway No. 44*, is amended by adding:

From—	To—	Minimum altitude
Indianapolis, Ind. (VOR) via direct radial.	Kokomo, Ind. (RBN)	2,100
Kokomo, Ind. (RBN)	Fort Wayne, Ind. (VOR) via direct radial.	2,100

(Sec. 205, 52 Stat. 984, as amended; 49 U. S. C. 425. Interpret or apply sec. 601, 52 Stat. 1007, as amended; 49 U. S. C. 551)

These rules shall become effective July 6, 1951.

F. B. LEE,
Acting Administrator of Civil Aeronautics.

[F. R. Doc. 51–7440; Filed, June 28, 1951; 8:55 a. m.]

Chapter II—Civil Aeronautics Administration, Department of Commerce

[Amdt. 2 to Rev. May 7, 1949]

PART 560—REIMBURSEMENT FOR DAMAGE TO PUBLIC AIRPORTS BY FEDERAL AGENCIES

MISCELLANEOUS AMENDMENTS

The following amendments are designed to implement a provision contained in the appropriation headed "Claims, Federal Airport Act", appearing in Public Law 45, 82d Congress, as follows:

* * * no request for reimbursement of the cost of rehabilitation or repair of a public airport filed under Section 17 of the Federal Airport Act shall be considered by the Secretary unless filed prior to July 1, 1951, and the Secretary shall make no certification to Congress after July 1, 1952, of the actual or estimated cost of such rehabilitation or repair.

Acting pursuant to the authority vested in me by the Federal Airport Act (60 Stat. 170; Pub. Law 377, 79th Cong.), I hereby amend Part 560 of the regulations of the Administrator of Civil Aeronautics as follows:

1. Section 560.3 is hereby amended by adding a new paragraph (e) thereto, reading as follows:

§ 560.3 *Eligible requests for reimbursement.* To be eligible for consideration by the Administrator, a request for reimbursement must: * * *

(e) Be supplemented and supported by the supporting information and materials required by § 560.10 (a), submitted sufficiently in advance of July 1, 1952, to permit the Administrator to ascertain and determine the amount due and certify such amount to the Congress on or before July 1, 1952, as required by Public Law 45, 82d Congress (see § 560.10 (d).

2. Section 560.6 (b) is hereby amended by adding a second proviso thereto, so that said §560.6 (b) will read as follows:

§ 560.6 *Time limitations.* * * *

(b) No request will be considered by the Administrator unless such request is submitted within six months after the occurrence of the damage upon which such request is based: *Provided, however,* That in the event the damage was caused by operations of a military nature during World War II, such request must be submitted within six months after October 10, 1949, unless the airport was under the control or management of the United States on October 10, 1949, in which event the request may be submitted to the Administrator within six months after transfer of such control or management of the airport to the public agency involved: *And provided further,* That no request will be considered by the Administrator unless submitted prior to July 1, 1951.

3. Section 560.10 is hereby amended by adding thereto a new paragraph (d), reading as follows:

§ 560.10 *Form and content of requests.* * * *

(d) In order that the Administrator may have sufficient time to consider, ascertain and determine the amount due and certify such amount to the Congress on or before July 1, 1952, as required by Public Law 45, 82d Congress, all of the supplementary and supporting information and materials required by this section should be submitted to the District Airport Engineer not later than September 1, 1951.

This amendment shall become effective upon publication in the FEDERAL REGISTER.

(Sec. 17, 60 Stat. 179, as amended; 49 U. S. C. 1116)

F. B. LEE,
Acting Administrator of Civil Aeronautics.

[F. R. Doc. 51-7441; Filed, June 28, 1951; 8:55 a. m.]

TITLE 24—HOUSING AND HOUSING CREDIT

Chapter VIII—Office of Housing Expediter

[Controlled Housing Rent Reg., Corr. to Amdt. 380]

[Controlled Rooms in Rooming Houses and Other Establishments Rent Reg., Corr. to Amdt. 375]

PART 825—RENT REGULATIONS UNDER THE HOUSING AND RENT ACT OF 1947, AS AMENDED

MICHIGAN

The Controlled Housing Rent Regulation (§§ 825.1 to 825.12) and the Rent Regulation for Controlled Rooms in Rooming Houses and Other Establishments (§§ 825.81 to 825.92) are corrected in the following respect:

A. Paragraph numbered 5 of Amendment 380 to §§ 825.1 to 825.12 and Amendment 375 to §§ 825.81 to 825.92 is corrected to read as follows:

5. a. Schedule A, Item 149, is amended to describe the counties in the Defense-Rental Area as follows:

Oakland County, except (i) the Townships of Addison, Avon, Bloomfield, Brandon, Commerce, Groveland, Highland, Holly, Independence, Milford, Novi, Oakland, Orion, Oxford, Rose, Springfield, Waterford and West Bloomfield, (ii) the Villages of Clarkston, Holly, Lake Orion, Leonard, Milford, Ortonville, Oxford, Rochester, and that portion of Northville located in Oakland County, and (iii) the Cities of Birmingham, Bloomfield Hills, Farmington, Ferndale, Hazel Park, Pontiac, Royal Oak, South Lyon and Sylvan Lake; Wayne County, except (i) the Cities of Grosse Pointe, Grosse Pointe Farms and Plymouth, (ii) the Villages of Grosse Pointe Shores, Trenton and Wayne, and (iii) that portion of the Village of Northville located in Wayne County; and Macomb County, except the City of Mount Clemens, and the Townships of Armada, Bruce, Lenox, Macomb, Ray, Richmond, Shelby, Sterling and Washington.

In Washtenaw County, the Township of Ann Arbor and the City of Ann Arbor.

This decontrols the Township of Novi in Oakland County, Michigan, a portion of the Detroit, Michigan, Defense-Rental Area.

b. Schedule A, Item 150, is amended to describe the counties in the Defense-Rental Area as follows:

Muskegon County, except the City of Roosevelt Park.

This decontrols the City of Roosevelt Park in Muskegon County, Michigan, a portion of the Grand Rapids-Muskegon, Michigan, Defense-Rental Area.

(Sec. 204, 61 Stat. 197, as amended; 50 U. S. C. App. Sup., 1894)

This correction shall be effective June 7, 1951.

Issued this 26th day of June 1951.

ED DUPREE,
Acting Housing Expediter.

[F. R. Doc. 51-7465; Filed, June 28, 1951; 8:48 a. m.]

[Controlled Housing Rent Reg., Corr. to Amdt. 382]

[Controlled Rooms in Rooming Houses and Other Establishments Rent Reg., Corr. to Amdt. 377]

PART 825—RENT REGULATIONS UNDER THE HOUSING AND RENT ACT OF 1947, AS AMENDED

MICHIGAN

The Controlled Housing Rent Regulation (§§ 825.1 to 825.12) and the Rent Regulation for Controlled Rooms in Rooming Houses and Other Establishments (§§ 825.81 to 825.92) are corrected in the following respect:

A. Paragraph numbered 6 of Amendment 382 to §§ 825.1 to 825.12 and Amendment 377 to §§ 825.81 to 825.92 is corrected to read as follows:

6. Schedule A, Item 149, is amended to describe the counties in the Defense-Rental Area as follows:

Oakland County, except (i) the Townships of Addison, Avon, Bloomfield, Brandon, Commerce, Groveland, Highland, Holly, Independence, Milford, Novi, Oakland, Orion, Oxford, Rose, Springfield, Waterford and West Bloomfield, (ii) the Villages of Clarkston, Holly, Lake Orion, Leonard, Milford, Ortonville, Oxford, Rochester and that portion of Northville located in Oakland County, and (iii) the Cities of Birmingham, Bloomfield Hills, Farmington, Ferndale, Hazel Park, Pontiac, Royal Oak, South Lyon and Sylvan Lake; Wayne County, except (i) the Cities of Grosse Pointe, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe Woods and Plymouth, (ii) the Villages of Grosse Pointe Shores, Trenton and Wayne, and (iii) that portion of the Village of Northville located in Wayne County; and Macomb County, except the City of Mount Clemens, and the Townships of Armada, Bruce, Lenox, Macomb, Ray, Richmond, Shelby, Sterling and Washington.

In Washtenaw County, the Township of Ann Arbor and the City of Ann Arbor.

This decontrols the Cities of Grosse Pointe Park and Grosse Pointe Woods in Wayne County, Michigan, portions of the Detroit, Michigan, Defense-Rental Area.

(Sec. 204, 61 Stat. 197, as amended; 50 U. S. C. App. Sup., 1894)

This correction shall be effective June 21, 1951.

Issued this 26th day of June 1951.

ED DUPREE,
Acting Housing Expediter.

[F. R. Doc. 51-7466; Filed, June 28, 1951; 8:47 a. m.]

TITLE 26—INTERNAL REVENUE

Chapter I—Bureau of Internal Revenue, Department of the Treasury

PART 23—CONSOLIDATED INCOME TAX RETURNS

SUPERSEDURE

EDITORIAL NOTE: For regulations which supersede Part 23 for taxable years ending after December 31, 1949, see Part 24 relating to consolidated income and excess profits tax returns, *infra*.

Subchapter A—Income and Excess Profits Taxes

[Regulations 129]

PART 24—CONSOLIDATED INCOME AND EXCESS PROFITS TAX RETURNS

Sec.

AUTHORITY: §§ 24.0 to 24.44 issued under 53 Stat. 58, as amended; 26 U. S. C. 141.

SEC. 141, I. R. C. CONSOLIDATED RETURNS.

(a) *Privilege to file consolidated returns.* An affiliated group of corporations shall, subject to the provisions of this section, have the privilege of making a consolidated return for the taxable year in lieu of separate returns. The making of a consolidated return shall be upon the condition that all corporations

which at any time during the taxable year have been members of the affiliated group consent to all the consolidated return regulations prescribed under subsection (b) prior to the last day prescribed by law for the filing of such return. The making of a consolidated return shall be considered as such consent. In the case of a corporation which is a member of the affiliated group for a fractional part of the year, the consolidated return shall include the income of such corporation for such part of the year as it is a member of the affiliated group.

(b) *Regulations.* The Secretary shall prescribe such regulations as he may deem necessary in order that the tax liability of any affiliated group of corporations making a consolidated return and of each corporation in the group, both during and after the period of affiliation, may be returned, determined, computed, assessed, collected, and adjusted, in such manner as clearly to reflect the income- and excess-profits-tax liability and the various factors necessary for the determination of such liability, and in order to prevent avoidance of such tax liability.

(c) *Computation and payment of tax.* In any case in which a consolidated return is made or is required to be made, the tax shall be determined, computed, assessed, collected, and adjusted in accordance with the regulations under subsection (b) prescribed prior to the last day prescribed by law for the filing of such return; except that the tax imposed under section 15 or section 204 shall be increased by 2 per centum of the consolidated corporation surtax net income of the affiliated group of includible corporations. If the affiliated group includes one or more Western Hemisphere trade corporations (as defined in section 109), the increase of 2 per centum provided in the preceding sentence shall be applied only on the amount by which the consolidated corporation surtax net income of the affiliated group exceeds the portion (if any) of the consolidated corporation surtax net income attributable to the Western Hemisphere trade corporations included in such group. For the purposes of the tax imposed by section 430, the sum of the excess profits credit and the unused excess profits credit adjustment of the affiliated group shall not be increased under the last sentence of section 431 to an amount in excess of $25,000 for the entire group.

(d) *Definition of "Affiliated Group".* As used in this section, an "affiliated group" means one or more chains of includible corporations connected through stock ownership with a common parent corporation which is an includible corporation if—

(1) Stock possessing at least 95 per centum of the voting power of all classes of stock and at least 95 per centum of each class of the nonvoting stock of each of the includible corporations (except the common parent corporation) is owned directly by one or more of the other includible corporations; and

(2) The common parent corporation owns directly stock possessing at least 95 per centum of the voting power of all classes of stock and at least 95 per centum of each class of the nonvoting stock of at least one of the other includible corporations.

As used in this subsection, the term "stock" does not include nonvoting stock which is limited and preferred as to dividends.

(e) *Definition of "includible corporation".* As used in this section, the term "includible corporation" means any corporation except—

(1) Corporations exempt from taxation under section 101.

(2) Insurance companies subject to taxation under section 201 or 207.

(3) Foreign corporations.

(4) Corporations entitled to the benefits of section 251, by reason of receiving a large percentage of their income from sources within possessions of the United States.

(5) Corporations organized under the China Trade Act, 1922.

(6) Regulated investment companies subject to tax under Supplement Q.

(7) Any corporation described in section 449, or in section 454 (d), (f), and (g) (without regard to the exception in the initial clause of section 454), but not including such a corporation which has made and filed a consent, for the taxable year or any prior taxable year ending after June 30, 1950, to be treated as an includible corporation. Such consent shall be made and filed at such time and in such manner as may be prescribed by the Secretary.

(8) Regulated public utilities described in section 448 (d) which compute their excess profits credit under section 448 but not including any such regulated public utility which has made and filed a consent, applicable to the taxable year, to compute its excess profits credit without regard to section 448. The consent shall be made and filed at such time and in such manner as may be prescribed by the Secretary. The consent shall be applicable to the taxable year for which filed and to each consecutive subsequent taxable year for which a consolidated return is filed.

(f) *Includible insurance companies.* Despite the provisions of paragraph (2) of subsection (e), two or more domestic insurance companies each of which is subject to taxation under the same section of this chapter shall be considered as includible corporations for the purpose of the application of subsection (d) to such insurance companies alone.

(g) *Subsidiary formed to comply with foreign law.* In the case of a domestic corporation owning or controlling, directly or indirectly, 100 per centum of the capital stock (exclusive of directors' qualifying shares) of a corporation organized under the laws of a contiguous foreign country and maintained solely for the purpose of complying with the laws of such country as to title and operation of property, such foreign corporation may, at the option of the domestic corporation, be treated for the purpose of this chapter as a domestic corporation.

(h) *Suspension of running of statute of limitations.* If a notice under section 272 (a) in respect of a deficiency for any taxable year is mailed to a corporation, the suspension of the running of the statute of limitations, provided in section 277, shall apply in the case of corporations with which such corporation made a consolidated return for such taxable year.

(i) *Allocation of income and deductions.* For allocation of income and deductions of related trades or businesses, see section 45.

(j) *Includible regulated public utilities.* Despite the provisions of paragraph (8) of subsection (e), two or more regulated public utilities each of which has made and filed a consent, applicable to the taxable year, to compute its excess profits credit under section 448 only, shall be considered as includible corporations for the purpose of the application of subsection (d) to such regulated public utilities alone. The consent shall be made and filed at such time and in such manner as may be prescribed by the Secretary. The consent shall be applicable to the taxable year for which filed and to each consecutive subsequent taxable year for which a consolidated return is filed.

§ 24.0 *Introductory.* (a) The regulations in this part, authorized by section 141 (b)[1] of the Internal Revenue Code, are prescribed as a supplement to the income tax regulations and the ex-

[1] In connection with the revision of section 141 of the Code as enacted by section 301 of the Excess Profits Tax Act of 1950, the report of the Committee on Ways and Means (Rept. No. 3142, 81st Cong., 2d Sess., p. 74), after describing certain substantive changes proposed, states:

"Aside from these substantive changes in section 141 for taxable years ending after June 30, 1950, and several clerical amendments to the section, the other general rules and provisions of the section are continued unchanged."

With respect to the corresponding section of the Revenue Act of 1928, the report of the Committee on Finance (S. Rept. No. 960, 70th Cong., 1st sess., p. 15) accompanying the revenue bill of 1928 contains the following statement (a similar statement being contained also in the statement of the managers on the part of the House, accompanying the conference report upon the bill, see H. Rept. No. 1882, 70th Cong., 1st sess., pp. 16–17):

"Among the regulations which it is expected that the Commissioner will prescribe are: (1) The extent to which gain or loss shall be recognized upon the sale by a member of the affiliated group of stock issued by any other member of the affiliated group or upon the dissolution (whether partial or complete) of a member of the group; (2) the basis of property (including property included in an inventory) acquired, during the period of affiliation, by a member of the affiliated group, including the basis of such property after such period of affiliation; (3) the extent to which and the manner in which net losses sustained by a corporation before it became a member of the group shall be deducted in the consolidated return; and the extent to which and the manner in which net losses sustained during the period for which the consolidated return is filed shall be deducted in any taxable year after the affiliation is terminated in whole or in part; (4) the extent to which and the manner in which gain or loss is to be recognized, upon the withdrawal of one or more corporations from the group, by reason of transactions occurring during the period of affiliation; and (5) that the corporations filing the consolidated return must designate one of their members as the agent for the group, in order that all notices may be mailed to the agent, deficiencies collected, refunds made, interest computed, and proceedings before the Board of Tax Appeals conducted as though the agent were the taxpayer."

The report of the Committee on Ways and Means (Rept. No. 1860, 75th Cong., 3d sess., p. 44) accompanying the revenue bill of 1938 (the pertinent provisions of which were reenacted without change in substance in the Internal Revenue Code) contains the following statement:

"Among the matters to be detailed in regulations which the Commissioner is expected to prescribe under the provisions of subsection (b) of this section are (a) the treatment of inter-company dividend distributions, (b) definitions of the 'net income,' the 'adjusted net income,' and the 'special class net income,' of the affiliated group, and (c) the computation of the 'net operating loss,' the 'basic surtax credit,' the 'dividend carry-over,' the 'dividends paid credit,' and the 'capital gains and losses,' insofar as these several factors may pertain to the case of an affiliated group."

In connection with the original enactment authorizing the filing of consolidated excess profits tax returns, the report of the Committee on Finance (Rept. No. 2114, 76th Cong., 3d sess., p. 17) accompanying the

cess profits tax regulations applicable generally under the Code. They are applicable, in the case of all corporations (with certain statutory exceptions), to all taxable years ending after December 31, 1949. With respect to taxable years to which these regulations are applicable, they supersede all prior consolidated returns regulations.

(b) The several sections of the regulations in this part, have been given numbers corresponding respectively to the section numbers of prior consolidated returns regulations but with the Code number 24.

"Second Revenue Act of 1940" contains the following statement:

"The regulations which the Commissioner is authorized to prescribe are such regulations as he may deem necessary in order that the tax liability of any affiliated group of corporations making a consolidated return and of each corporation in the group, both during and after the period of affiliation, may be returned, determined, computed, assessed, collected, and adjusted, in such manner as clearly to reflect the excess-profits tax liability and the various factors necessary for the determination of such liability, and in order to prevent avoidance of such tax liability in addition to the matters which, in the light of current and previous consolidated returns regulations, are expected to be covered in detail in the regulations to be issued by the Commissioner, are the extent to which and the manner in which the following items, among others, will be computed and given effect in determining the excess-profits-tax liability of an affiliated group: (a) Equity invested capital, borrowed capital, and invested capital, (b) admissible and inadmissible assets, and excluded capital, (c) net capital additions and reductions, (d) consolidated net operating losses, net operating losses incurred by members of the group in taxable years prior to that for which the consolidated return is filed, and the net operating loss deduction of members of the group in taxable years following that for which the consolidated return was filed, and (e) excess-profits net income and adjusted excess-profits net income."

The report of the Committee on Finance (Rept. No. 1631, 77th Cong., 2d sess., p. 133) accompanying the revenue bill of 1942, amending section 141, contains the following statement:

"The consolidated normal tax net income, the consolidated corporation surtax net income, and the consolidated capital gains and losses of the group are among those factors with respect to which the Commissioner, in view of experience with current and past consolidated returns regulations, is expected to prescribe regulations in order to reflect clearly the income and excess profits tax liability of the group and of each member thereof and the various factors necessary for the determination of such liability. In addition to these matters, your committee expects that such regulations will provide for the application of the excess profits relief provisions, and the provisions of section 710 (a) (1) (B) limiting excess profits taxes, in cases where consolidated returns are filed. Although the present regulations with respect to the determination of consolidated net income quite properly limit the deduction of the net operating loss carry-over of a member of a group from years prior to that in which its income is first included in a consolidated return to the amount of the separate income of such member, this section provides that such limitation shall not be applied to prevent the portion of the net operating loss carry-over which is attributable to a 1941 war loss of the member (see sec. 158 of the bill) being taken into account in computing consolidated net income."

GENERAL PROVISIONS

§ 24.1 *Privilege of making consolidated returns.* (a) Section 141 gives to the corporations of an affiliated group the privilege of making a consolidated income and excess profits tax return for the taxable year in lieu of separate returns. This privilege is given, however, upon the condition that all corporations which have been members of the affiliated group at any time during the taxable year for which the return is made consent to these regulations, and any amendments thereof duly prescribed prior to the last day prescribed by law for the filing of the return; and the making of the consolidated return is considered as such consent. The last day prescribed by law for the filing of the return includes the last day of the period of any extension of time granted by the Commissioner.

(b) The tax liability of the members of the affiliated group for the taxable year involved will be determined in accordance with the provisions of the regulations to which consent is given and without regard to any changes of the rules therein prescribed made subsequent to the last day prescribed by law for the filing of the return for such year.

§ 24.2 *Definitions*—(a) *Code.* The term "Code" means the Internal Revenue Code, as amended, and the sections of statutory law referred to in these regulations, unless otherwise stated, are sections of that Code.

(b) *Affiliated group.* (1) The term "affiliated group" includes the common parent corporation and every other corporation for the period during which such corporation is a member of the affiliated group within the meaning of section 141 of the Code as amended; it does not include (i) any corporation which, under section 141, as amended, cannot be included in a consolidated return, (ii) an insurance company taxable under section 201 or 207 in the case of a consolidated return for corporations taxable under section 13, 14, or 204, (iii) a corporation taxable under section 13, 14, or 204 in the case of a consolidated return for insurance companies taxable under section 201 or 207, (iv) an insurance company taxable under section 201 in the case of a consolidated return for insurance companies taxable under section 27, (v) an insurance company taxable under section 207 in the case of a consolidated return for insurance companies taxable under section 201, (vi) a regulated public utility computing its excess profits credit under section 448 in the case of a consolidated return for corporations other than such regulated public utilities, or (vii) a corporation other than a regulated public utility consenting under section 141 (j) to compute its excess profits credit under section 448 in the case of a consolidated return for such regulated public utilities.

(2) In the case of a domestic corporation owning or controlling, directly or indirectly, 100 percent of the capital stock (exclusive of directors' qualifying shares) of a corporation organized under the laws of Canada or of Mexico and maintained solely for the purpose of complying with the laws of such country as to title and operation of property, such foreign corporation may, at the option of the domestic corporation, be treated for income tax purposes as a domestic corporation. The option to treat such foreign corporation as a domestic corporation so that it may be included in a consolidated return must be exercised at the time of making the consolidated return, and cannot be exercised at any time thereafter. If the election is exercised to treat such foreign corporation as a domestic corporation, it must be included in the consolidated return of the affiliated group of which it is a member for each consecutive year thereafter for which such group makes or is required to make a consolidated return.

(3) An affiliated group of corporations, within the meaning of section 141 of the Code, is formed at the time that the common parent corporation, which is an includible corporation, becomes the owner directly of stock possessing at least 95 percent of the voting power of all classes of stock and at least 95 percent of each class of nonvoting stock (not including nonvoting stock which is limited and preferred as to dividends) of another includible corporation; a corporation becomes a member of such an affiliated group at the time that one or more members of such group become the owners directly of stock possessing at least 95 percent of the voting power of all classes of its stock and at least 95 percent of each class of its nonvoting stock (not including nonvoting stock which is limited and preferred as to dividends); and a corporation ceases to be a member of such an affiliated group at the time that the members of such group cease to own directly stock possessing at least 95 percent of the voting power of all classes of its stock, or at least 95 percent of each class of its nonvoting stock (not including nonvoting stock which is limited and preferred as to dividends).

(4) In the determination of the includible corporations of the affiliated group for a taxable year ending after June 30, 1950, a personal service corporation as described in section 449 or a corporation otherwise entitled to exemption from excess profits tax under section 454 (d), (f), or (g) shall be treated as an includible corporation only if it has made and filed pursuant to section 141 (e) (7) its consent to be treated as an includible corporation for such year or for a prior taxable year ending after June 30, 1950.

(5) A regulated public utility as described in section 448 (d) shall be treated as an includible corporation only if it has made and filed—

(i) In the case of an affiliated group consisting wholly of regulated public utilities or of one or more regulated public utilities together with other corporations, a consent to compute its excess profits credit without regard to section 448; or

(ii) In the case of an affiliated group consisting wholly of regulated public utilities, a consent to compute its excess profits credit under section 448 only, and without regard to sections 435 and 436.

(c) *Consolidated return period.* The term "consolidated return period" means the taxable year 1929, or any subsequent taxable year, for which a consolidated return is made or is required, income tax return, excess profits tax return, or both, including the period during which a subsidiary corporation is engaged in distributing its assets in liquidation.

(d) *Subsidiary.* The term "sudsidiary" means a corporation (other than the common parent corporation) which is a member of the affiliated group during any part of the consolidated return period.

(e) *Tax.* The term "tax" means the normal tax, the excess profits tax, and any surtax imposed by chapter 1, and the surtax imposed by subchapter A of chapter 2, and includes any interest, penalty, additional amount, or addition to the tax, payable in respect thereof.

(f) *Excess profits tax taxable year.* For excess profits tax purposes, in the case of an affiliated group filing a consolidated return for the taxable year, the prior taxable years of the group shall be the prior taxable years of the common parent corporation, whether or not consolidated returns were filed and whether or not the members of the group were affiliated for such prior taxable years. For any period during which the common parent was not in existence, the taxable year of the group shall be determined with respect to such members of the group as were in existence on the basis of the annual accounting period established by the common parent for its first taxable year. If the common parent was in existence on July 1, 1950, the first excess profits tax taxable year of the group is the first taxable year of the common parent ending after June 30, 1950. If the common parent was not in existence on July 1, 1950, the first excess profits tax taxable year of the group is the first taxable year of the group ending after June 30, 1950, determined under this paragraph, during which any member of the group was in existence.

(g) *Terms defined in Internal Revenue Code.* Terms which are defined in the Code shall, when used in the regulations in this part, have the meaning assigned to them by the Code, unless specifically otherwise defined.

§ 24.3 *Applicability of other provisions of law.* Any matter in the determination of which the provisions of the regulations in this part are not applicable shall be determined in accordance with the provisions of the Code or other law applicable thereto.

ADMINISTRATIVE PROVISIONS

§ 24.10 *Exercise of privilege*—(a) *When privilege must be exercised.* The privilege of making a consolidated return under these regulations for any taxable year of an affiliated group must be exercised at the time of making the return of the common parent corporation for such year. Under no circumstances can such privilege be exercised at any time thereafter. The filing of separate returns for a taxable year does not constitute an election binding upon the corporations in subsequent years. If the privilege is exercised at the time of making the return, separate returns cannot thereafter be made for such year. (See, however, § 24.18, relating to failure to comply with the regulations in this part.)

(b) *Effect of tentative returns.* In no case will the privilege under paragraph (a) of this section be considered as exercised at the time of making a so-called "tentative return" (made, for example, in order to obtain an extension of time for making the return required by law). However, if any such tentative return is made upon the basis of a consolidated return or a separate return, the return required by law must be made upon the same basis, unless upon the making of the return required by law (either a separate return or a consolidated return, as the case may be) the payments theretofore made and to be made are adjusted in a manner satisfactory to the Commissioner.

§ 24.11 *Consolidated returns for subsequent years*—(a) *Consolidated returns required for subsequent years.* If a consolidated return is made under the regulations in this part for any taxable year, a consolidated return must be made for each subsequent taxable year during which the affiliated group remains in existence unless (1) a corporation (other than a corporation created or organized, directly or indirectly, by a member of the group) has become a member of the group during such subsequent taxable year, or (2) subsequent to the exercise of the election to make consolidated returns, chapter 1 of the Code to the extent applicable to corporations, or these regulations which have been consented to, have been amended and any such amendment is of a character which makes less advantageous to affiliated groups as a class the continued filing of consolidated returns, regardless of the effective date of such amendment, or (3) the Commissioner, prior to the time of making the return, upon application made by the common parent corporation and for good cause shown, grants permission to change.

(b) *Effect of separate returns when consolidated return is required.* If the making of a consolidated return is required for any taxable year, the tax liability of the members of the affiliated group shall be computed in the same manner as if a consolidated return had been made, even though separate returns are made; amounts assessed upon the basis of separate returns shall be considered as having been assessed upon the basis of a consolidated return; and amounts paid upon the basis of separate returns shall be considered as having been paid by the common parent corporation. In such cases the making of separate returns shall not be considered as the making of a return for the purpose of computing any period of limitation or any deficiency. If a consolidated return for such taxable year is thereafter made, such return shall, for the purpose of computing periods of limitation and any deficiency be considered as the return for such year.

(c) *When affiliated group remains in existence.* For the purpose of the regulations in this part, an affiliated group shall be considered as remaining in existence if the common parent corporation remains as a common parent and at least one subsidiary remains affiliated with it, whether or not such subsidiary was a member of the group at the time the group was formed and whether or not one or more corporations have become subsidiaries or have ceased to be subsidiaries at any time after the group was formed.

(d) *When affiliated group terminates.* For the purpose of the regulations in this part, an affiliated group shall be considered as terminated if the common parent corporation ceases to be the common parent or if there is no subsidiary affiliated with it.

§ 24.12 *Making consolidated return and filing other forms*—(a) *Consolidated return made by common parent corporation.* A consolidated return shall be made on Form 1120 by the common parent corporation for the affiliated group. Such return shall be filed at the time, and in the office of the collector of the district, prescribed for the filing of a separate return by such common parent corporation.

(b) *Authorizations and consents.* (1) Each subsidiary must prepare duplicate originals of Form 1122, consenting to these regulations and authorizing the common parent corporation to make a consolidated return on its behalf for the taxable year and authorizing the common parent (or, in the event of its failure, the Commissioner or the collector) to make a consolidated return on its behalf (as long as it remains a member of the affiliated group), for each year thereafter for which, under § 24.11 (a), the making of a consolidated return is required. One of such forms as prepared by each subsidiary shall be attached to the consolidated return, as a part thereof; and the other shall be filed, at or before the time the consolidated return is filed, in the office of the collector for the district prescribed for the filing of a separate return by such subsidiary. No such consent can be withdrawn or revoked at any time after the consolidated return is filed.

(2) The filing of Form 1122 for a taxable year ending after June 30, 1950, by a subsidiary which is either a personal service corporation as described in section 449 or a corporation described in section 454 (d), (f), or (g) shall constitute the making and filing of its consent to be treated as an includible corporation under section 141 (e) (7).

(3) If the common parent corporation is a personal service corporation as described in section 449 or a corporation described in section 454 (d), (f), or (g), the making and filing of the consolidated return for a taxable year ending after June 30, 1950, shall constitute the making and filing of its consent to be treated as an includible corporation under section 141 (e) (7).

(4) A corporation which consents under section 141 (e) (7) to be treated

as an includible corporation for a taxable year ending after June 30, 1950, shall be treated as an includible corporation for all subsequent years, regardless of whether the affiliated group of which such corporation is a member during such subsequent years is the same as the affiliated group of which such corporation was a member when such consent was filed. No consent to be treated as an includible corporation under section 141 (e) (7) can be withdrawn or revoked at any time after the consolidated return is filed for the first taxable year for which the consent is filed.

(5) A subsidiary which is a regulated public utility as described in section 448 (d) shall indicate on its Form 1122 filed for a taxable year ending after June 30, 1950, whether it consents, pursuant to section 141 (e) (8), to compute its excess profits credit without regard to section 448, or, pursuant to section 141 (j), to compute such credit under section 448 only.

(6) If the common parent corporation is a regulated public utility as described in section 448 (d) or (e), the making and filing of a consolidated return for a taxable year ending after June 30, 1950, subject to the provisions of section 141 (e) (8), or to the provisions of section 141 (j), shall constitute the making and filing of its consent to compute its excess profits credit without regard to section 448, or to compute such credit under section 448, respectively.

(7) A consent made by a regulated public utility under either of the two preceding paragraphs cannot be withdrawn or revoked at any time after the consolidated return is filed, and shall be applicable to the taxable year for which such consent is made and to each consecutive subsequent taxable year for which a consolidated return is made or is required.

(c) *Affiliations schedule filed by common parent corporation.* The common parent corporation shall prepare Form 851 (Affiliations Schedule), which shall be attached to and made a part of the consolidated return.

(d) *Persons qualified to execute returns and forms.* Each return or form required to be made or prepared by a corporation must be executed by the persons authorized under section 52 to execute returns of separate corporations. In cases where receivers or trustees in bankruptcy are operating the property or business of corporations, each return or form required to be made or prepared by such corporation must be executed by the receiver or trustee, as the case may be, pursuant to an order or instructions of the court, and be accompanied by a copy of such order or instructions.

(e) *Signatures in case subsidiary has left affiliated group.* Since Form 1122 is required even though, during the taxable year of the common parent corporation, the subsidiary (because of a dissolution or sale of stock, or otherwise) has ceased to be a member of the affiliated group, it may be advisable for the common parent to obtain the proper signatures to the form prior to the time the subsidiary ceases to be a member of the group.

§ 24.13 *Change in affiliated group during taxable year*[2]—(a) *General rule.* Except as hereinafter provided, a consolidated return must include the income of the common parent corporation and of each subsidiary for the entire taxable year of the affiliated group.

(b) *Formation of affiliated group after beginning of year.* If an affiliated group is formed after the beginning of the taxable year of the corporation which becomes the common parent corporation, the consolidated return must include the income of the common parent for its entire taxable year (excluding any portion of such year during which its income is included in the consolidated return of another affiliated group) and the income of each subsidiary from the time it became a member of the affiliated group.

(c) *Complete termination of affiliated group prior to close of taxable year.* If an affiliated group is terminated prior to the close of the taxable year of the group, the consolidated return must include the income of the common parent corporation for its entire taxable year (excluding any portion of such year during which its income is included in the consolidated return of another affiliated group) and of each subsidiary for the period prior to the termination. (See paragraphs (c) and (d) of § 24.11, in determining whether the group has terminated.)

(d) *Addition to affiliated group of a subsidiary during year.* If a corporation becomes a member of the affiliated group during the taxable year of the group, the consolidated return must include its income from the time when it became a member of the group.

(e) *Elimination from affiliated group of a subsidiary during year.* If a subsidiary ceases to be a member of the affiliated group during the taxable year of the group, the consolidated return must include its income for the period during which it was a member of the group.

(f) *Period of 30 days or less may be disregarded.* A subsidiary may at its option be considered as having been a member of the affiliated group during the entire taxable year of the group (or during the entire period of the existence of the subsidiary, whichever is shorter) if the period during which it was not a member of such group does not exceed 30 days. If a corporation has been a member of the affiliated group for a period of less than 31 days during the taxable year of the group, it may at its option be considered as not having been a member of the group during the taxable year. An option under this paragraph must be exercised at or before the time when the consolidated return is made.

(g) *Separate returns for periods not included in consolidated return.* If a corporation, during its taxable year (determined without regard to the affiliation), becomes a member of an affiliated group, its income for the portion of such taxable year not included in the consolidated return of such group must be included in a separate return (or, if a member of another affiliated group which makes a consolidated return for such period, then in such consolidated return). If a corporation ceases to be a member of the affiliated group during the taxable year of the group, its income for the period after the time when it ceased to be a member of the group must be included in a separate return (or, if it becomes a member of another affiliated group which makes a consolidated return for such period, then in such consolidated return).

(h) *Time for making separate returns for periods not included in consolidated return.* If a corporation, during its taxable year (determined without regard to the affiliation), becomes a member of an affiliated group, the separate return required for the portion of such taxable year during which it was not a member of the group must be made on or before the 15th day of the third month following the close of its taxable year (determined without regard to the affiliation). For example, Corporation P, reporting its income on a calendar year basis, acquires on January 1, 1951, all the stock of Corporation S, which reports its income on a fiscal year basis ending March 31. P and S elect to make a consolidated return for the calendar year 1951. The separate return of S for the taxable period April 1, 1950, to December 31, 1950, should be made on or before June 15, 1951.

§ 24.14 *Accounting period of an affiliated group.* (a) The taxable year of an affiliated group which makes a consolidated return shall be the same as the taxable year of the common parent corporation; and, upon having elected to file consolidated returns, each subsidiary corporation shall, not later than the close of the first consolidated taxable year ending thereafter, adopt an annual accounting period, fiscal year or calendar year as the case may be, in conformity with that of the common parent.

(b) If a change of accounting period is necessary in order to conform the accounting periods of the common parent and of its subsidiaries, and if the requirements of § 29.46–1 of this chapter (Regulations 111), relating to notice of change, cannot otherwise be complied with, such notice shall be furnished at or before the time of filing the consolidated return.

(c) With respect to computations for years involved in the change to the consolidated basis, see § 24.32.

§ 24.15 *Liability for tax*—(a) *Several liability of members of affiliated group.* Except as provided in paragraphs (b) and (c) of this section, the common parent corporation and each subsidiary, a member of the affiliated group during any part of a consolidated return period, shall be severally liable for the tax (including any deficiency in respect thereof) computed upon the consolidated net income of the group.

[2] This section has no bearing upon the question whether a consolidated return may or must be made, but relates only to the effect of changes in the affiliated group during the taxable year.

(b) *Liability of a corporation in bankruptcy or receivership.* If, at the time of filing a consolidated return, one or more, but not all, of the members of the affiliated group are in bankruptcy under the laws of the United States or in receivership in any court of the United States or of any State, Territory, or the District of Columbia, then the liability under paragraph (a) of this section of each such member of the group with respect to the period covered by such return shall not exceed such portion of the consolidated tax liability for such period as the several corporations included in the consolidated return may, subject to the approval of the Commissioner, agree upon, or, in the absence of such an agreement, an amount equal to its liability for such year computed as if a separate return had been filed.

(c) *Liability of subsidiary after withdrawal.* If a subsidiary has ceased to be a member of the affiliated group, its liability under paragraph (a) of this section shall remain unchanged, except that if such cessation occurred prior to the date upon which any deficiency is assessed and resulted from a bona fide sale of stock for fair value, the Commissioner may, if he believes that the assessment or collection of the balance of the deficiency will not be jeopardized, make assessment and collection of such deficiency from such former subsidiary in an amount not exceeding the portion thereof allocable to it upon the bases of income used in the computations respectively of the normal tax, any surtax, and the excess profits tax, included in such deficiency.

(d) *Effect of intercompany agreements.* Any agreement entered into by one or more members of the affiliated group with any other members of such group or with any other person shall in no case have the effect of reducing the liability prescribed under this section.

(e) *Liability of transferee not affected.* This section shall not be considered as extinguishing or diminishing any liability, at law or in equity, of a transferee of property of a taxpayer, including any liability under any provision of law, State or Federal, relating to liabilities pursuant to corporate dissolution or transfer or distribution of assets, whether or not in connection with a merger or consolidation.

§ 24.16 *Common parent corporation agent for subsidiaries*—(a) *Scope of agency of common parent corporation.* Except as provided in paragraphs (b) and (c) of this section—

The common parent corporation shall be for all purposes (other than the making of the subsidiary consent required by § 24.12 (b)), in respect of the tax for the taxable year for which a consolidated return is made or is required, the sole agent, duly authorized to act in its own name in all matters relating to such tax, for each corporation which during any part of such year was a member of the affiliated group. The corporations, other than the common parent, shall not have authority to act for or to represent themselves in any such matter. For example, all correspondence will be carried on directly with the common parent; notices of deficiencies will be mailed only to the common parent, and the mailing to the common parent shall be considered as a mailing to each such corporation; notice and demand for payment of taxes will be given only to the common parent, and such notice and demand shall be considered as a notice and demand to each such corporation; the common parent will file petitions and conduct proceedings before The Tax Court of the United States, and any such petition shall be considered as having also been filed by each such corporation; the common parent will file claims for refund or credit; refunds will be made directly to and in the name of the common parent and will discharge any liability of the Government in respect thereof to any such corporation; and the common parent in its name will give waivers, give bonds, and execute closing agreements, offers in compromise, and all other documents, and any waiver or bond so given, or agreement, offer in compromise, or any other document so executed, shall be considered as having also been given or executed by each such corporation. Notwithstanding the provisions of this paragraph, however, any notice of deficiency, in respect of the tax for a consolidated return period, will name each corporation which was a member of the affiliated group during any part of such period, and any assessment (whether of the original tax or of a deficiency) will be made in the name of each such corporation (but a failure to include the name of any such corporation will not affect the validity of the notice of deficiency or the assessment as to the other corporations); any notice and demand for payment will name each corporation which was a member of the affiliated group during any part of such period (but a failure to include the name of any such corporation will not affect the validity of the notice and demand as to the other corporations); and any distraint (or warrant in respect thereof), any levy (or notice in respect thereof), any notice of a lien, or any other proceeding to collect the amount of any assessment, after the assessment has been made, will name the corporation from which such collection is to be made. The provisions of this paragraph shall apply whether or not a consolidated return is made for any subsequent year, and whether or not one or more subsidiaries have become or have ceased to be members of the group at any time. Notwithstanding the provisions of this paragraph, the Commissioner may, if he deems it advisable, deal directly with any member of the group in respect of its liability, in which event such member shall have full authority to act for itself.

(b) *Effect of withdrawal of subsidiary.* For the purpose of the assertion, assessment, and collection of any deficiency, and of a credit or refund of any amount paid by a former subsidiary as a deficiency determined under § 24.15 (c), but for no other purpose, the agency of the common parent corporation in respect of any subsidiary which has ceased to be a member of the affiliated group shall be terminated upon the expiration of 30 days (or prior thereto if the Commissioner consents) from the date upon which such subsidiary files written notice with the Commissioner that it has ceased to be a member of the affiliated group and that it is terminating such agency. For example, if a subsidiary has ceased to be a member of the group (and if the 30-day period has expired) prior to the mailing of a notice of deficiency to the common parent, a separate notice of deficiency will be mailed in due course to the subsidiary in respect of its deficiency if it becomes necessary to enforce its liability.

(c) *Effect of dissolution of common parent corporation.* If the common parent corporation contemplates dissolution, or is about to be dissolved, or if for any other reason its existence is about to terminate, it shall forthwith notify the Commissioner of such fact and designate, subject to the approval of the Commissioner, another member of the affiliated group to act as agent in its place, to the same extent and subject to the same conditions and limitations as are applicable to the common parent. If the notice thus required is not given by the common parent, the remaining members of the group may, subject to the approval of the Commissioner, designate another member of the group to act as such agent, and notice of such designation shall be given to the Commissioner. Until a notice in writing designating a new agent has been received by the Commissioner, any notice of deficiency or other communication mailed to the common parent shall be considered as having been properly mailed to the agent of the group; or, if the Commissioner has reason to believe that the existence of the common parent has terminated, he may, if he deems it advisable, deal directly with any member of the group in respect of its liability.

§ 24.17 *Waivers*—(a) *Effect of waiver given by common parent corporation.* Any consent given by the common parent corporation (or by an agent in accordance with paragraph (c) of § 24.16) extending the time within which an assessment may be made or distraint or proceeding in court begun, in respect of the tax for a consolidated return period, shall be applicable (1) to each corporation which was a member of the affiliated group during any part of such period (whether or not any such corporation has ceased to be a member of the group), and (2) to each corporation the income of which was included in the consolidated return, or which filed Form 1122, for such period, even though it is subsequently determined that such corporation was not a member of the group.

(b) *Acceptance of waivers from common parent corporation and alleged subsidiary.* In no case will a separate waiver be accepted from a corporation the income of which was included in the consolidated return (for example, a corporation which the Commissioner determines was not a member of the affiliated group), or which filed Form 1122, unless a waiver is also obtained from the common parent, or unless the Commissioner is dealing directly with such corporation to enforce its liability.

§ 24.18 *Failure to comply with regulations*—(a) *Exclusion of a subsidiary from consolidated return.* If there has been a failure to include in the consolidated return the income of any subsidiary, or a failure to file any of the forms required by the regulations in this part, notice thereof shall be given the common parent corporation by the Commissioner, and the tax liability of each member of the affiliated group shall be determined on the basis of separate returns unless such income is included or such forms are filed within the period prescribed in such notice, or any extension thereof, or unless under § 24.11 a consolidated return is required for such year.

(b) *Common parent corporation incorrectly designated in consolidated return.* If a consolidated return includes a corporation as the common parent and such corporation was not (under the provisions of section 141) the common parent, the tax liability of each corporation included in the return will be computed in the same manner as if separate returns had been made, unless, upon application, the Commissioner approves the making of a consolidated return, or unless under § 24.11 a consolidated return is required for such year.

(c) *Inclusion of one or more subsidiaries not members of affiliated group.* If a consolidated return includes a corporation as a subsidiary and such corporation was not a member of the affiliated group during the consolidated return period, the tax liability of such corporation will be determined upon the basis of a separate return (but see paragraph (a) of this section), and the consolidated return shall be considered as including only the corporations which were members of the group during such period. If the consolidated return includes two or more corporations which are not members of the group but which constitute a separate affiliated group, the tax liability of the corporations constituting the separate group will be computed in the same manner as if separate returns had been made by such corporations, unless the Commissioner, upon application, approves the making of a consolidated return for the separate group, or unless under § 24.11 a consolidated return is required for the separate group.

(d) *Effect of authorization and consent filed pursuant to notice.* If Form 1122 is filed by any corporation, pursuant to a notice under paragraph (a) of this section, such corporation shall be considered for all purposes as having joined in the making of the consolidated return.

(e) *Allocation of payments in the event of change by one or more corporations to separate returns.* In any case in which amounts have been assessed and paid upon the basis of a consolidated return and the tax liability of one or more of the corporations included in the consolidated return is to be computed in the same manner as if separate returns had been made, the amounts so paid shall be allocated between the affiliated group composed of the corporations properly included in the consolidated return and each of the corporations the tax liability of which is to be computed on a separate basis, in such manner as the corporations included in the consolidated return may, subject to the approval of the Commissioner, agree upon, or, in the absence of an agreement, upon the bases used in the respective computations of the normal tax, any surtax, and the excess profits tax, as shown upon the consolidated return.

§ 24.19 *Tentative carry-back adjustments*—(a) *Groups with constant membership; consolidated returns only.* In the case of an affiliated group the membership of which remains unchanged and for which consolidated returns are made or are required for the taxable years involved, any statement filed under section 3779 of the Code with respect to an expected carry-back and any application for a tentative carry-back adjustment filed under section 3780 shall be filed by the common parent corporation and shall disclose all material facts and circumstances relating to the group as a whole. Such statement or application shall be filed on the appropriate form prescribed for such purpose, Form 1138 or Form 1139, as the case may be. Any refunds allowable under any such application will be made directly to and in the name of the common parent. The making of any such refund will discharge any liability of the Government in respect thereof to the several affiliated corporations. The common parent corporation and its several subsidiaries shall be severally liable for any amounts assessed pursuant to section 3780 (b) or (c) or 294 (e), together with any interest or penalty assessed in connection therewith.

(b) *Groups with changing membership; cases involving a separate return period.* (1) The membership of an affiliated group may change during a taxable year for which a net operating loss or an unused excess profits credit arises, or in the preceding taxable year affected by such net loss or unused credit. Or an affiliated group making a consolidated return for the year of such net loss or unused credit may have made separate returns for the preceding year; or a group making separate returns for the year of the net loss or unused credit may have made a consolidated return for the preceding year. In any such case, the statement provided for in section 3779 (b) of the Code and the application for the tentative carry-back adjustment provided for in section 3780 (a) shall be a joint statement or application concurred in and executed by each corporation which was a member of the group at any time during either of the taxable years involved in the deferment or adjustment sought. The time for the payment of taxes shall be extended under section 3779 and the adjustment provided for in section 3780 shall be made only in accordance with an agreement of the several corporations involved to be made a part of such statement or application. Any refund allowable under any such application with respect to a consolidated return period will be made directly to and in the name of the common parent corporation, and the making of any such refund will discharge any liability of the Government in respect thereof to the several affiliated corporations. The common parent corporation and its several subsidiaries shall be severally liable for any amounts assessed pursuant to section 3780 (b) or (c) or 294 (e), together with any interest or penalty assessed in connection therewith.

(2) In the absence of an agreement between the several corporations, or in the event of their failure to set forth the provisions of such an agreement as a part of their statement or application, no extension of time for the payment of any tax under the provisions of section 3779 shall be granted, and no tentative adjustment shall be made under section 3780.

(3) Nothwithstanding any agreement between the several affiliated corporations, no tentative adjustment shall be made with respect to either a consolidated or a separate return period in disregard of the several liability of the several corporations with respect to any taxable year for which a consolidated return was made or was required.

COMPUTATION OF TAX, RECOGNITION OF GAIN OR LOSS, AND BASIS

§ 24.30 *Computation of tax*—(a) *General rule.* In the case of an affiliated group which makes, or is required to make, a consolidated return for any taxable year, the tax liability of each corporation for the period during such year that it was a member of such group shall be computed, subject to the provisions of paragraph (b) of this section, upon the consolidated normal-tax net income and the consolidated corporation surtax net income of the group, or, in the case of the taxes imposed by section 102, section 201, subchapter A, and subchapter D, upon the consolidated undistributed section 102 net income, the consolidated adjusted normal-tax net income and the consolidated adjusted corporation surtax net income, the consolidated undistributed subchapter A net income, or the consolidated adjusted excess profits net income, as the case may be, determined in each case in accordance with the regulations in this part. In the case of an affiliated group realizing long-term capital gains and computing its tax under the alternative tax provisions of section 117 (c), the tax shall be computed with reference to the consolidated net income, and the excess of the consolidated net long-term capital gain over the consolidated net short-term capital loss.

(b) *Special rules.* The general rule prescribed in paragraph (a) of this section is subject to the following special rules:

(1) *In the case of Western Hemisphere trade corporations*—(i) *Years beginning after June 30, 1950, and calendar year 1950.* If the affiliated group filing a consolidated return for a taxable year beginning after June 30, 1950, or for the calendar year 1950, includes a Western Hemisphere trade corporation, as defined in section 109, the increase of 2 percent provided in section 141 (c) in the corporation surtax rate shall be applied only on that portion of the consolidated corporation surtax net income attributable to the members of the group other

than the Western Hemisphere trade corporation.

(ii) *Other taxable years.* In the case of an affiliated group filing a consolidated return for a taxable year other than one subject to the provisions of subdivision (i) of this subparagraph, and including as a member of the group a Western Hemisphere trade corporation, as defined in section 109, the surtax of the group shall be an amount which bears the same ratio to the surtax computed on the consolidated corporation surtax net income as the portion of the consolidated corporation surtax net income attributable to the other members of the group bears to the entire consolidated corporation surtax net income.

(2) *In case of abnormalities.* If the affiliated group for any taxable year is subject to the provisions of section 456 (relating to abnormalities)—

(i) The excess profits tax liability of the group for the taxable year in which the whole of the abnormal income would, without regard to section 456, be includible shall not exceed the sum of (*a*) the excess profits tax computed upon the consolidated adjusted excess profits net income of the group computed without the inclusion in gross income of the portion of the net abnormal income which is attributable to any other taxable year, plus (*b*) the aggregate of the increase in the excess profits tax which would have resulted for the taxable year (computed under subdivision (*a*)) and for each previous taxable year to which any portion of such net abnormal income is attributable, computed as if an amount equal to such portion had been included in the gross income for such previous taxable year of the corporation deriving such portion;

(ii) The excess profits tax liability of the group for any future taxable year shall be the excess profits tax computed upon the consolidated adjusted excess profits net income of the group computed with the inclusion in gross income of the net abnormal income attributable to such future taxable year, but shall not exceed the sum of (*a*) the excess profits tax computed upon the consolidated adjusted excess profits net income of the group computed without the inclusion in excess profits net income of the portion of the net abnormal income which is attributable to such year, and (*b*) the decrease in the excess profits tax for the previous taxable year in which the whole of such abnormal income would, without regard to section 456, be includible, which decrease resulted by reason of the exclusion of the whole or a part of the abnormal income from the gross income for such previous taxable year; but the amount of such decrease shall be diminished by the aggregate of the increases in the excess profits tax which would have resulted for the future taxable year (computed under subdivision (*a*)) and for the taxable years intervening between such previous taxable year and such future taxable year because of the inclusion in gross income of the portions of such net abnormal income attributable to such intervening years.

(iii) Whether or not an abnormality within the meaning of section 456 exists shall be determined in the light of the aggregate business and of the collective experience during the four previous taxable years of the several members of the group.

(3) *In case of Merchant Marine contracts.* If the affiliated group for any taxable year includes a corporation subject to the provisions of section 457, relating to corporations completing contracts under the Merchant Marine Act of 1936, the excess profits tax liability of the group shall be the tax under section 430 computed on the consolidated adjusted excess profits net income or the tax computed in accordance with the provisions of section 457 (b), whichever is the lesser. The computation under section 457 (b) shall be made as if the consolidated adjusted excess profits net income and the payments made or to be made to the Federal Maritime Board were the adjusted excess profits net income of and payments made or to be made by a separate corporation.

(4) *In case of profits from mining strategic minerals.* If the affiliated group for any taxable year includes a corporation a portion of the income of which is, pursuant to section 450, exempt from excess profits tax by reason of such corporation having engaged in the mining of strategic minerals, the excess profits tax liability of the group shall be an amount which bears the same ratio to the excess profits tax computed on the consolidated adjusted excess profits net income as the portion of the consolidated adjusted excess profits net income not exempt from excess profits tax bears to the entire consolidated adjusted excess profits net income. The portion of the consolidated adjusted excess profits net income not exempt from excess profits tax shall be determined in the same manner as if the consolidated adjusted excess profits net income were the adjusted excess profits net income of a separate corporation.

(c) *Limitation on excess profits tax.* The consolidated excess profits tax liability shall be whichever of the following amounts is the lesser:

(1) An amount equal to 30 percent of the consolidated adjusted excess profits net income, or

(2) An amount equal to the excess of 62 percent of the consolidated section 433 (a) excess profits net income for the taxable year over the tax which would be imposed for the taxable year under sections 13, 14, and 15, supplement G, and supplement Q, whichever are applicable to the affiliated group, computed (subject to section 108, if applicable, and to section 141 (c)) as if the amount of the consolidated normal-tax net income and the amount of the consolidated corporation surtax net income (or the amount subject to the rate of tax in such supplement) were equal to the amount of the consolidated section 433 (a) excess profits net income for such year.

(d) *Several liability.* With respect to the liability of the several members of the group, see § 24.15.

§ 24.31 *Bases of tax computation.* In the case of an affiliated group of corporations which makes, or is required to make, a consolidated return for any taxable year, and except as otherwise provided in the regulations in this part, the tax liability determined under § 24.30 shall be determined subject to the definitions and rules of computation set forth in paragraphs (a) and (b) of this section.

(a) *Definitions*—(1) *Consolidated net income.* The consolidated net income shall be the combined net income of the several affiliated corporations—

(i) Minus the sum of—

(*a*) Any consolidated net operating loss deduction,

(*b*) Any consolidated section 117 (j) net loss, relating to net losses from involuntary conversions and from sales or exchanges of property subject to the provisions of section 117 (j), and

(*c*) The aggregate amount of any contributions or gifts made by the several affiliated corporations during the taxable year, subject to the provisions of section 23 (q), but not in excess of 5 percent of the consolidated net income computed without regard to such contributions or gifts, and

(ii) Plus any consolidated net capital gain, or

(iii) Minus, in the case of an affiliated group including as members one or more corporations subject to the tax imposed by section 204, the combined additional capital loss deductions of such corporations authorized by section 204 (c) (5), but in an amount not in excess of the consolidated net capital loss.

(2) *Consolidated net operating loss deduction.* The consolidated net operating loss deduction shall be an amount equal to the aggregate of the consolidated net operating loss carry-overs and of the consolidated net operating loss carry-back to the taxable year reduced by the amount, if any, by which the consolidated net income (computed with the exceptions and limitations provided in section 122 (d) (1), (2), (3), and (4)) exceeds the consolidated normal-tax net income (computed without any net operating loss deduction and without the credits provided in section 26 (h), relating to dividends paid by public utilities on certain preferred stock, and section 26 (i), relating to western hemisphere trade corporations).

(3) *Consolidated net operating loss carry-overs.* The consolidated net operating loss carry-overs to the taxable year shall consist of—

(i) The consolidated net operating losses, if any, for the five preceding taxable years (not including as a third, fourth, or fifth preceding taxable year any taxable year beginning prior to January 1, 1950) to the extent that the consolidated net operating loss for any such preceding taxable year was not attributable to a corporation making a separate return, or joining in a consolidated return filed by another affiliated group, for the taxable year, and was not absorbed as a carry-over or carry-back by the consolidated or separate net income for preceding or intervening taxable years,

and, with respect to a net operating loss sustained by a corporation in a taxable

year for which a separate return was filed, or for which such corporation joined in a consolidated return filed by another affiliated group, but subject to the limitations prescribed in section 24.31 (b) (3),

(ii) The amount of the net operating losses, if any, of such corporation for the five preceding taxable years (not including as a third, fourth, or fifth preceding taxable year any taxable year beginning prior to January 1, 1950) to the extent that the net operating loss for any such preceding taxable year was not absorbed as a carry-over or carry-back by consolidated or separate net income for preceding or intervening taxable years.

(4) *Consolidated net operating loss carry-back.* The consolidated net operating loss carry-back to the taxable year shall consist of—

(i) The amount of the consolidated net operating loss, if any, for the succeeding taxable year to the extent not attributable to a corporation making a separate return, or joining in a consolidated return filed by another affiliated group, for the taxable year,

and with respect to a net operating loss sustained by a corporation which, for the succeeding taxable year, files a separate return or joins in a consolidated return filed by another affiliated group but subject to the limitations prescribed in § 24.31 (b) (3),

(ii) The amount of the net operating loss, if any, of such corporation for the succeeding taxable year.

(5) *Consolidated net operating loss.* The consolidated net operating loss, computed for the purpose of the net operating loss deduction, shall be an amount equal to the excess of the sum of—

(i) The combined net operating losses of the several affiliated corporations having net operating losses (computed subject to the exceptions, additions, and limitations provided in section 122 (d)), and

(ii) The consolidated section 117 (j) net loss, over the sum of—

(iii) The combined net income of the several affiliated corporations having net income (adjusted with respect to the exceptions, additions, and limitations provided in section 122 (d) in connection with the computation of net operating losses), and

(iv) The consolidated net capital gain.

(6) *Consolidated section 117 (j) net loss.* The consolidated section 117 (j) net loss shall be the excess of the aggregate of the recognized losses of the character described in section 117 (j) sustained by the several affiliated corporations over the aggregate of the recognized gains of the character described in section 117 (j) realized by the several affiliated corporations.

(7) *Consolidated net capital gain.* The consolidated net capital gain shall be the excess of the sum of—

(i) The aggregate of the capital gains of the several affiliated corporations, and

(ii) The consolidated section 117 (j) net gain, over the sum of—

(iii) The aggregate of the capital losses of such corporations, and

(iv) The aggregate of the consolidated net capital loss carry-overs to the taxable year.

(8) *Consolidated section 117 (j) net gain.* The consolidated section 117 (j) net gain shall be the excess of the aggregate of the recognized gains of the character described in section 117 (j) realized by the several affiliated corporations over the aggregate of the recognized losses of the character described in section 117 (j) sustained by the several affiliated corporations.

(9) *Consolidated net capital loss carry-over.* The consolidated net capital loss carry-overs to the taxable year shall consist of—

(i) The consolidated net capital losses, if any, for the five preceding taxable years to the extent that such losses were not attributable to a corporation making a separate return, or joining in a consolidated return filed by another affiliated group, for the taxable year, and were not absorbed by net capital gains for intervening taxable years pursuant to the provisions of section 117 (e) (1), consolidated or separate, as the case may be,

and, with respect to net capital losses sustained by a corporation for taxable years for which separate returns were filed, or for which such corporation joined in a consolidated return filed by another affiliated group—

(ii) The net capital losses, if any, sustained by such corporation for its five preceding taxable years to the extent that such losses were not absorbed by the net capital gains of such corporation (or, if the income of such corporation was included in a consolidated return, by the consolidated net capital gain) for intervening taxable years pursuant to the provisions of section 117 (e) (1).

(10) *Consolidated net capital loss.* The consolidated net capital loss shall be the excess of the aggregate of the capital losses of the several affiliated corporations over the sum of—

(i) The aggregate of the capital gains of such corporations, and

(ii) The consolidated section 117 (j) net gain,

reduced, in the case of an affiliated group including as members one or more corporations subject to the tax imposed by section 204, but only for the purpose of net capital loss carry-over computations, by whichever of the following amounts is the lesser:

(iii) The combined additional capital loss deductions of such corporations authorized by section 204 (c) (5), or

(iv) The consolidated corporation surtax net income computed without regard to capital gains and losses.

(11) *Consolidated normal-tax net income.* The consolidated normal-tax net income shall be the consolidated adjusted net income minus—

(i) The consolidated section 26 (b) credit, relating to dividends received,

and, for taxable years beginning after June 30, 1950, and for the calendar year 1950—

(ii) In the case of an affiliated group including as a member a public utility as defined in section 26 (h) (2) (A), the consolidated section 26 (h) credit; and

(iii) In the case of an affiliated group including as a member a western hemisphere trade corporation as defined in section 109, the consolidated section 26 (i) credit.

(12) *Consolidated adjusted net income.* The consolidated adjusted net income shall be the consolidated net income minus the consolidated section 26 (a) credit, relating to interest on certain obligations of the United States and Government corporations.

(13) *Consolidated section 26 (a) credit.* The consolidated section 26 (a) credit, relating to interest on certain obligations of the United States and Government corporations, shall be an amount equal to the aggregate of the interest, of the class with respect to which credit is allowed by section 26 (a), received by the several affiliated corporations.

(14) *Consolidated section 26 (b) credit.* The consolidated section 26 (b) credit, relating to dividends received, shall be—

(i) An amount equal to 85 percent of the aggregate dividends, of the class with respect to which credit is allowed by section 26 (b) received by the several affiliated corporations, not including dividends on preferred stock of public utilities subject to the provisions of (ii), and

(ii) With respect to the aggregate dividends received by the several affiliated corporations on the preferred stock of a public utility described in section 26 (h)—

(*a*) For taxable years beginning after June 30, 1950, an amount equal to 59 percent of the aggregate of such dividends received in such year, or

(*b*) For the calendar year 1950, an amount equal to 57 percent of the aggregate of such dividends received in such year,

but in an amount not greater than 85 percent of the consolidated adjusted net income computed without regard to the consolidated net operating loss deduction.

(15) *Consolidated section 26 (h) credit.* The consolidated section 26 (h) credit, relating to dividends paid by public utilities on preferred stock, shall be—

(i) With respect to a taxable year beginning after June 30, 1950, and the calendar year 1950, an amount equal to 30 percent (33 percent for the calendar year 1950) of the lesser of—

(*a*) The aggregate of the dividends paid by members of the affiliated group which are public utilities within the meaning of section 26 (h) (2) (A) on preferred stock within the meaning of section 26 (h) (2) (B), or

(*b*) The portion of the consolidated adjusted net income attributable to such members minus the portion of the consolidated section 26 (b) credit attributable to such members; and

(ii) With respect to other taxable years, an amount equal to the aggregate of the dividends paid by members of the affiliated group which are public utilities within the meaning of section 26 (h) (2) (A) on preferred stock within the meaning of section 26 (h) (2) (B), but in an amount not greater than that portion of the consolidated corporation

surtax net income (computed without regard to this credit) attributable to such members.

(16) *Consolidated section 26 (i) credit.* For taxable years beginning after June 30, 1950, and the calendar year 1950, the consolidated section 26 (i) credit shall be an amount equal to 30 percent (33 percent for the calendar year 1950) of the portion of the consolidated normal-tax net income, computed without regard to this credit, attributable to those members of the affiliated group which are western hemisphere trade corporations.

(17) *Consolidated corporation surtax net income.* The consolidated corporation surtax net income shall be the consolidated net income minus the sum of—

(i) The consolidated section 26 (b) credit relating to dividends received (computed for taxable years beginning prior to July 1, 1950, other than the calendar year 1950, without regard to dividends received of the class with respect to which a public utility is allowed a dividends paid credit under section 26 (h));

(ii) In the case of an affiliated group including as a member a public utility as defined in section 26 (h) (2) (A), the consolidated section 26 (h) credit; and

(iii) In the case of an affiliated group including as a member a western hemisphere trade corporation as defined in section 109, for taxable years beginning after June 30, 1950, and for the calendar year 1950, the consolidated section 26 (i) credit.

(18) *Consolidated net long-term capital gain.* The consolidated net long-term capital gain shall be the excess of the sum of—

(i) The aggregate of the long-term capital gains of the several affiliated corporations, and

(ii) The consolidated section 117 (j) net gain, over

(iii) The aggregate of the long-term capital losses of such corporations.

(19) *Consolidated net short-term capital loss.* The consolidated net short-term capital loss shall be the sum of—

(i) The aggregate of the short-term capital losses of the several affiliated corporations, and

(ii) The consolidated net capital loss carry-over, minus

(iii) The aggregate of the short-term capital gains of such corporations.

(20) *Consolidated section 102 net income.* The consolidated section 102 net income shall be the consolidated net income, computed without regard to any capital loss carry-over and without regard to any net operating loss deduction, minus the sum of—

(i) The combined Federal income, war-profits, and excess-profits taxes (other than a tax imposed by subchapter E of Chapter 2 of the Code for taxable years beginning after December 31, 1940) paid or accrued during the taxable year by the several affiliated corporations, to the extent not allowed as a deduction by section 23, but not including the tax imposed by section 102 of the Code, or by a corresponding section of prior income tax laws,

(ii) The combined contributions or gifts of the several affiliated corporations, payment of which is made within the taxable year, not otherwise allowed as a deduction, to or for the use of donees described in section 23 (o) of the Code for the purposes therein specified, and

(iii) The excess of the sum of the capital losses of the several affiliated corporations (computed without regard to any capital loss carry-over) over the sum of the capital gains of such corporations.

(21) *Consolidated undistributed section 102 net income.* The consolidated undistributed section 102 net income shall be the consolidated section 102 net income minus the consolidated basic surtax credit.

(22) *Consolidated subchapter A net income.* The consolidated subchapter A net income shall be the consolidated net income computed with the adjustments provided in section 505.

(23) *Consolidated undistributed subchapter A net income.* The consolidated undistributed subchapter A net income shall be the consolidated subchapter A net income minus the sum of—

(i) The consolidated dividends paid credit with the exceptions and limitations provided in section 504 (a),

(ii) The aggregate amount, subject to the provisions of section 504 (b), used or irrevocably set aside by the several affiliated corporations to pay or to retire indebtedness incurred prior to January 1, 1934, not including such portion of any such indebtedness as was owned on January 1, 1934, or at any time thereafter, directly or indirectly, by another member of the group, and

(iii) The aggregate amount of dividends paid by the several affiliated corporations after the close of the taxable year, subject to the provisions of section 504 (c).

(24) *Consolidated dividends paid credit.* The consolidated dividends paid credit shall be the sum of—

(i) The consolidated basic surtax credit, and

(ii) The consolidated dividend carry-over.

(25) *Consolidated basic surtax credit.* The consolidated basic surtax credit shall be the sum of—

(i) The excess of the aggregate amount of dividends paid by the several affiliated corporations during the taxable year (computed, in the case of the tax imposed by subchapter A, of Chapter 2, with the qualifications provided in section 504 (a), relating to dividends paid after the close of the taxable year) over the consolidated section 26 (h) credit, relating to dividends paid by public utilities on certain preferred stock, and

(ii) The combined consent dividends credit of the several affiliated corporations provided in section 28,

and, in an aggregate amount not exceeding the consolidated section 102 net income or the consolidated subchapter A net income, as the case may be, the sum of—

(iii) The consolidated net operating loss credit, and

(iv) In the case of an affiliated group including one or more holding company affiliates of a bank as defined in section 2 of the Banking Act of 1933, the consolidated section 26 (d) credit, relating to earnings or profits devoted to the acquisition of readily marketable assets other than bank stock.

(26) *Consolidated dividend carry-over.* The consolidated dividend carry-over for the taxable year shall be the sum of—

(i) The amount, if any, by which the consolidated basic surtax credit for the first preceding taxable year exceeds the consolidated subchapter A net income for such year, to the extent that such credit and such income are not attributable to a corporation making a separate return or joining in a consolidated return filed by another affiliated group, for the taxable year,

(ii) The amount of the consolidated basic surtax credit for the second preceding taxable year reduced by the consolidated subchapter A net income for such year and further reduced by the amount, if any, by which the consolidated subchapter A net income of the first preceding taxable year exceeds the sum of—

(*a*) The consolidated basic surtax credit for such year, and

(*b*) The excess, if any, of the consolidated basic surtax credit for the third preceding taxable year over the consolidated subchapter A net income for such year,

to the extent that any such basic surtax credit and any such subchapter A net income are not attributable to a corporation making a separate return, or joining in a consolidated return filed by another affiliated group, for the taxable year,

and, with respect to the unused basic surtax credit of a corporation for taxable years for which separate returns were filed, or for which such corporation joined in a consolidated return filed by another affiliated group—

(iii) The amount, if any, by which the basic surtax credit of such corporation for the first preceding taxable year exceeds the subchapter A net income of such corporation for such year, and

(iv) The amount of the basic surtax credit of such corporation for the second preceding taxable year reduced by the subchapter A net income of such corporation for such year and further reduced by—

(*a*) The excess, if any, of the subchapter A net income of such corporation for the first preceding taxable year over the sum of—

(*1*) The basic surtax credit of such corporation for such year, and

(*2*) The amount, if any, by which the basic surtax credit of such corporation for the third preceding taxable year exceeds the subchapter A net income of such corporation for such year, or

(*b*) If the income of such corporation is included in the consolidated return for the first preceding taxable year, the excess, if any, of the consolidated subchapter A net income for the first preceding taxable year over the sum of—

(*1*) The consolidated basic surtax credit for such year, and

(*2*) The amount, if any, by which the basic surtax credit of such corporation

for the third preceding taxable year exceeds the subchapter A net income of such corporation for such year.

(27) *Consolidated net operating loss credit.* The consolidated net operating loss credit shall be an amount equal to the sum of—

(i) The consolidated net operating loss for the preceding taxable year, computed for the purpose of the credit, to the extent not attributable to those corporation making a separate return, or joining in a consolidated return filed by another affiliated group, for the taxable year,

and, with respect to a corporation which filed a separate return or joined in a consolidated return filed by another affiliated group for the preceding taxable year,

(ii) The net operating loss of such corporation for such preceding taxable year, computed subject to the exceptions and limitations provided in section 26 (c) (2), and further limited, as the case may be, to that portion of the consolidated section 102 net income, or the consolidated subchapter A net income, attributable to such corporation for the taxable year,

but not in excess of the consolidated section 102 net income for the taxable year, or the consolidated subchapter A net income, as the case may be.

(28) *Consolidated net operating loss for purpose of credit.* The consolidated net operating loss, computed for the purpose of the net operating loss credit, shall be the excess of the sum of—

(i) The combined net operating losses of the several affiliated corporations having net operating losses, computed subject to the exceptions and limitations provided in section 26 (c) (2),

(ii) The consolidated section 117 (j) net loss, and

(iii) In the case of an affiliated group including as members one or more corporations subject to the tax imposed by section 204, the combined additional capital loss deductions of such corporations authorized by section 204 (c) (5),

over the sum of—

(iv) The combined net income, computed with respect to the exceptions and limitations provided in section 26 (c) (2) in connection with the computation of net operating losses, of the several affiliated corporations having net income, and

(v) The consolidated net capital gain.

(29) *Consolidated section 26 (d) credit.* The consolidated section 26 (d) credit, relating to bank affiliates, shall be an amount equal to the aggregate of the earnings or profits of members of the group which are holding company affiliates of a bank as defined in section 2 of the Banking Act of 1933 devoted to the acquisition of readily marketable assets other than bank stock (not including any asset acquired, directly or indirectly, from another member of the group), subject, in the case of each such affiliate, to the limitations imposed by section 26 (d) determined without regard to the qualifications expressed in (b) (1) (ii) and (iii) of this section.

(30) *Consolidated adjusted normal-tax net income of life insurance companies.* The consolidated adjusted normal-tax net income, in the case of an affiliated group consisting of corporations subject to the tax imposed by section 201, shall be the consolidated normal-tax net income minus the consolidated section 202 (b) credit, and plus the consolidated section 202 (c) adjustment.

(31) *Consolidated adjusted corporation surtax net income of life insurance companies.* The consolidated adjusted corporation surtax net income, in the case of an affiliated group consisting of corporations subject to the tax imposed by section 201, shall be the consolidated corporation surtax net income minus the consolidated section 203 (b) credit, and plus the consolidated section 202 (c) adjustment.

(32) *Consolidated section 202 (b) credit.* The consolidated section 202 (b) credit, relating to reserve and other policy liabilities, shall be the consolidated normal-tax net income multiplied by a figure to be determined and proclaimed by the Secretary for each taxable year pursuant to section 202 (b).

(33) *Consolidated section 202 (c) adjustment.* The consolidated section 202 (c) adjustment, relating to certain reserves provided in section 202 (c), shall be an amount equal to 3¼ percent of the combined unearned premiums and unpaid losses of the several affiliated corporations on contracts other than life insurance or annuity contracts, computed in the case of each corporation pursuant to the provisions of section 202 (c), but the combined unearned premiums shall not be considered to be less than 25 percent of the combined net premiums on such other contracts written during the taxable year.

(34) *Consolidated section 203 (b) credit.* The consolidated section 203 (b) credit, relating to reserve and other policy liabilities, shall be the consolidated corporation surtax net income multiplied by a figure to be determined and proclaimed by the Secretary for each taxable year pursuant to section 202 (b).

(35) *Consolidated section 433 (a) excess profits net income.* The consolidated section 433 (a) excess profits net income for any taxable year ending after June 30, 1950, shall be the consolidated normal-tax net income increased or decreased, as the case may be, by the consolidated section 433 (a) adjustment.

(36) *Consolidated section 433 (a) adjustment.* The consolidated section 433 (a) adjustment shall be the net amount of the aggregate adjustments provided in section 433 (a) (1) (D), (E), (F), (G), (I), (K), (L), (M), (N), (O), (P), and (Q), computed and determined in the case of the several affiliated corporations, except as otherwise provided in (b) of this section, in the same manner and subject to the same conditions as if separate returns were filed, increased or decreased, as the case may be, with respect to—

(i) The excess of the aggregate amount of the dividends received by the several corporations of the class with respect to which adjustment is provided for in section 433 (a) (1) (A), computed subject to the limitation relating to dividends in kind, over the consolidated section 26 (b) credit;

(ii) The sum of the consolidated section 26 (h) credit, relating to dividends paid by a public utility, and the consolidated section 26 (i) credit, relating to western hemisphere trade corporations;

(iii) The amount of—

(*a*) The consolidated net capital gain, or

(*b*) The combined additional capital loss deductions authorized by section 204 (c) (5), but not in excess of the consolidated net capital loss.

(iv) In the case of life insurance companies subject to the tax imposed by section 201—

(*a*) If the consolidated excess profits credit is based on income, the excess of the product of the figure determined and proclaimed under section 202 (b) and the consolidated section 433 (a) excess profits net income, computed without regard to this adjustment over the consolidated section 202 (c) adjustment, relating to certain reserves, or

(*b*) If the consolidated excess profits credit is based on invested capital, 50 percent of the excess of the product of the figure determined and proclaimed under section 202 (b) and the consolidated section 433 (a) excess profits net income, computed without regard to this adjustment, over the consolidated section 202 (c) adjustment;

(v) The consolidated net operating loss deduction adjustment.

(37) *Consolidated net operating loss deduction adjustment.* The consolidated net operating loss deduction adjustment shall be the difference between the amount of the consolidated net operating loss deduction for the taxable year otherwise computed under these regulations and the amount of such consolidated net operating loss deduction computed subject to the provisions of section 433 (a) (1) (J).

(38) *Consolidated adjusted excess profits net income.* The consolidated adjusted excess profits net income shall be the consolidated section 433 (a) excess profits net income minus whichever is the greater—

(i) The amount of $25,000, or

(ii) An amount equal to the sum of—

(*a*) The consolidated excess profits credit, and

(*b*) The consolidated unused excess profits credit adjustment.

(39) *Consolidated excess profits credit.* The consolidated excess profits credit shall be—

(i) In general—

(*a*) The consolidated excess profits credit based on invested capital, or

(*b*) In the case of an affiliated group one or more of the members of which would have been entitled in a separate return to an excess profits credit based on income, either the consolidated excess profits credit based on income or the consolidated excess profits credit based on invested capital, whichever results in the lesser excess profits tax; or

(ii) In the case of an affiliated group consisting wholly of regulated public utilities, in conformity with consents made under section 141 (e) (8) or sec-

tion 141 (j) applicable to the taxable year, either a credit determined under the general rule of this paragraph, or the consolidated section 448 excess profits credit.

(40) *Consolidated excess profits credit based on invested capital.* The consolidated excess profits credit based on invested capital shall be the sum of—

(i) The consolidated invested capital credit reduced by the consolidated inadmissible asset adjustment, and

(ii) The consolidated new capital credit.

(41) *Consolidated invested capital credit.* The consolidated invested capital credit shall be the sum of—

(i) Twelve precent of that portion of the consolidated invested capital not in excess of $5,000,000,

(ii) Ten percent of that portion of the consolidated invested capital in excess of $5,000,000 but not in excess of $10,000,000, and

(iii) Eight percent of that portion of the consolidated invested capital in excess of $10,000,000.

(42) *Consolidated invested capital.* The consolidated invested capital for the taxable year shall be—

(i) In general—

(*a*) The consolidated adjusted invested capital for such year, or

(*b*) At the election of the affiliated group exercised by the common parent corporation at the time of the making of the consolidated return for the taxable year, the consolidated historical invested capital for such year, or

(ii) In the case of an affiliated group of mutual insurance companies taxable under section 207, the sum of—

(*a*) The mean of the combined surplus of the several affiliated corporations, and

(*b*) Fifty percent of the mean of the aggregate of all reserves of the several affiliated corporations required by law,

such surplus and reserves being computed in the case of each affiliated corporation pursuant to the provisions of section 437 (b) (3) and as if such corporation were making a separate return.

(43) *Consolidated adjusted invested capital.* The consolidated adjusted invested capital for the taxable year shall be the sum of—

(i) The consolidated equity capital as of the beginning of the taxable year,

(ii) The combined capital addition for the taxable year of the several affiliated corporations,

(iii) Seventy-five percent of the consolidated average borrowed capital for the taxable year, and

(iv) The consolidated recent loss adjustment,

minus the sum of—

(v) The combined capital reduction for the taxable year of the several affiliated corporations, and

(vi) If the amount of the consolidated adjusted invested capital so determined, but without regard to this subdivision (subdivision (vi)), exceeds $5,000,000, the consolidated net new capital addition.

(44) *Consolidated equity capital.* The consolidated equity capital as of any time shall be—

(i) The aggregate of the total assets of the several affiliated corporations held at such time in good faith for the purpose of the business, reduced by the aggregate of the total liabilities of such corporations at such time, or

(ii) In the case of an affiliated group including one or more insurance companies (other than mutual and other than life or marine), an amount determined under (i) increased by the sum of—

(*a*) Fifty percent of the combined reserves of such insurance companies required by law (other than reserves used in computing borrowed capital under section 439 (b) (2)), and

(*b*) The combined organization expenses of such insurance companies.

(45) *Consolidated recent loss adjustment.* The consolidated recent loss adjustment shall be the excess of the combined net operating losses of the several affiliated corporations for the taxable years in the consolidated recent loss period, computed under section 437 (f), over the combined net income of such corporations for the taxable years in such period, computed under section 437 (f).

(46) *Consolidated recent loss period.* The consolidated recent loss period shall be whichever of the following results in the higher consolidated recent loss adjustment:

(i) The consolidated base period, or

(ii) The period beginning on January 1, 1940, and ending December 31, 1949.

(47) *Consolidated net new capital addition.* The consolidated net new capital addition for the taxable year shall be—

(i) The excess, divided by the number of days in the taxable year, of the aggregate of the consolidated daily new capital additions for each day of the taxable year, over the aggregate of the consolidated daily new capital reductions for each such day, reduced (but not below zero) by

(ii) The consolidated increase in inadmissible assets for the taxable year, less 25 percent of the excess, if any, of such consolidated increase in inadmissible assets over an amount computed under (i) without regard to the amounts determined under (48) (iii) and (49) (iii), relating to borrowed capital.

(48) *Consolidated daily new capital addition.* The consolidated daily new capital addition for any day of the taxable year shall be the sum of—

(i) The aggregate of the amounts of money and property (other than excluded equity capital) paid in to the several members of the affiliated group for stock or as paid-in surplus or as a contribution to capital, after the beginning of such taxable year and prior to such day;

(ii) The amount, if any, by which the consolidated equity capital at the beginning of the taxable year minus the amount of the aggregate of the excluded equity capital paid in to the several members of the group before the beginning of the taxable year and after the beginning of the first excess profits tax taxable year of the group exceeds the consolidated equity capital at the beginning of such first excess profits tax taxable year; and

(iii) Seventy-five percent of the excess of—

(*a*) The amount by which the consolidated daily borrowed capital for such day is greater than the consolidated daily borrowed capital for the first day of the first excess profits tax taxable year of the group, over

(*b*) The amount by which the consolidated excluded borrowed capital for such day is greater than the consolidated excluded borrowed capital for the first day of the first excess profits tax taxable year.

(49) *Consolidated daily new capital reduction.* The consolidated daily new capital reduction for any day of the taxable year shall be the sum of—

(i) The aggregate of the distributions by the several members of the affiliated group to shareholders (other than members of the group) previously made during such taxable year which are not out of the earnings and profits of such taxable year;

(ii) The amount, if any, by which the consolidated equity capital at the beginning of the first excess profits tax taxable year of the group plus the amount of the aggregate of the excluded equity capital paid in to the several members of the group after the beginning of such first excess profits tax taxable year and before the beginning of the taxable year exceeds the amount of the consolidated equity capital at the beginning of the taxable year; and

(iii) Seventy-five percent of the amount, if any, by which the consolidated daily borrowed capital for the first day of the first excess profits tax taxable year of the group exceeds the consolidated daily borrowed capital for such day.

(50) *Consolidated daily borrowed capital.* The consolidated daily borrowed capital for any day shall be the aggregate of the daily borrowed capital of the several members of the affiliated group for such day.

(51) *Consolidated excluded borrowed capital.* The consolidated excluded borrowed capital for any day shall be the aggregate of the excluded borrowed capital of the several members of the affiliated group for such day.

(52) *Consolidated increase in inadmissible assets.* The consolidated increase in inadmissible assets shall be the excess of the consolidated average inadmissible assets for the taxable year over the consolidated original inadmissible assets.

(53) *Consolidated average inadmissible assets.* The consolidated average inadmissible assets for the taxable year shall be the aggregate of the average inadmissible assets of the several members of the affiliated group for the taxable year.

(54) *Consolidated original inadmissible assets.* The consolidated original inadmissible assets shall be the aggregate of the original inadmissible assets of the several members of the affiliated group.

(55) *Consolidated historical invested capital.* The consolidated historical in-

vested capital for the taxable year shall be the sum of—

(i) The combined average invested capital for the taxable year of the several affiliated corporations computed in the case of each corporation without including any accumulated earnings and profits, and

(ii) The consolidated accumulated earnings and profits as of the beginning of such taxable year.

(56) *Consolidated accumulated earnings and profits.* The consolidated accumulated earnings and profits as of the beginning of the taxable year shall be an amount equal to the excess of the combined accumulated earnings and profits as of the beginning of such year of the several affiliated corporations having accumulated earnings and profits over the combined deficit in accumulated earnings and profits as of the beginning of such year of the several affiliated corporations having such deficits.

(57) *Consolidated inadmissible asset adjustment.* The consolidated inadmissible asset adjustment shall be an amount which bears the same ratio to the consolidated invested capital credit as the aggregate inadmissible assets of the several affiliated corporations bears to the aggregate admissible and inadmissible assets of such corporations.

(58) *Consolidated new capital credit.* The consolidated new capital credit for any taxable year shall be an amount equal to 12 percent of the consolidated net new capital addition for the taxable year except that such credit shall not be allowed—

(i) If the consolidated invested capital for the taxable year (computed without reduction by the amount of the consolidated net new capital addition) is $5,000,000 or less;

(ii) If the consolidated invested capital is the consolidated historical invested capital; or

(iii) If the affiliated group is composed of mutual insurance companies (other than life or marine).

(59) *Consolidated excess profits credit based on income.* The consolidated excess profits credit based on income for any taxable year shall be the sum of—

(i) Eighty-five percent of the consolidated average base period net income,

(ii) Twelve percent of the amount of the consolidated base period capital addition, and

(iii) Twelve percent of the consolidated net capital addition for the taxable year,

minus 12 percent of the consolidated net capital reduction for the taxable year.

(60) *Consolidated average base period net income.* The consolidated average base period net income shall be the consolidated section 435 (d) average base period net income unless the affiliated group is entitled to the benefits of sections 435 (e), 442, 443, 444, 445, or 446, in which case the consolidated average base period net income shall be whichever of the following, applicable to the group, results in the lowest excess profits tax for the taxable year:

(i) The consolidated section 435 (d) average base period net income,

(ii) The consolidated section 435 (e) average base period net income,

(iii) The consolidated alternative average base period net income.

(61) *Consolidated section 435 (d) average base period net income.* The consolidated section 435 (d) average base period net income shall be one-third of the aggregate of the consolidated section 433 (b) excess profits net income for each month in the consolidated selected base period.

(62) *Consolidated selected base period.* The consolidated selected base period shall be—

(i) The 36 months in the consolidated base period remaining after eliminating the 12 consecutive months having the lowest aggregate consolidated section 433 (b) excess profits net income, or

(ii) The 36 consecutive months in the consolidated base period having the highest aggregate consolidated section 433 (b) excess profits net income,

whichever produce the higher aggregate consolidated section 433 (b) excess profits net income.

(63) *Consolidated base period.* The consolidated base period shall be the base period of the common parent corporation.

(64) *Consolidated section 433 (b) excess profits net income.* The consolidated section 433 (b) excess profits net income for any month shall be an amount equal to the excess of the combined excess profits net income of the several affiliated corporations for such month determined under section 433 (b) over the combined deficits in excess profits net income of such corporations for such month determined under section 433 (c).

(65) *Consolidated section 435 (e) average base period net income.* The consolidated section 435 (e) average base period net income shall be whichever of the following is the highest:

(i) The aggregate, divided by two, of the consolidated section 433 (b) excess profits net income for the last 24 months in the consolidated base period; or

(ii) The aggregate of the consolidated section 433 (b) excess profits net income for the last 12 months in the consolidated base period; or

(iii) The sum of the aggregate of the consolidated section 433 (b) excess profits net income for the six months beginning July 1, 1949, and ending December 31, 1949, and the aggregate of the consolidated weighted excess profits net income for the six months beginning January 1, 1950, and ending June 30, 1950; or

(iv) In the case of an affiliated group entitled to the benefits of section 435 (e) (2) (G), the sum of the aggregate of the consolidated section 433 (b) excess profits net income for the six months beginning July 1, 1948, and ending December 31, 1948, and the aggregate of the consolidated weighted excess profits net income for the six months beginning January 1, 1950, and ending June 30, 1950.

(66) *Consolidated weighted excess profits net income.* The consolidated weighted excess profits net income for any month shall be an amount equal to the excess of the combined weighted excess profits net income of the several affiliated corporations for such month over the combined weighted deficit in excess profits net income of such corporations for such month.

(67) *Consolidated base period capital addition.* The consolidated base period capital addition shall be the sum of—

(i) The amount by which the consolidated yearly base period capital for the first excess profits tax taxable year of the affiliated group exceeds, whichever is greater, the consolidated yearly base period capital for the immediately preceding taxable year or the consolidated yearly base period capital for the second preceding taxable year, and

(ii) Fifty percent of the amount by which the consolidated yearly base period capital for such first excess profits tax taxable year or the consolidated yearly base period capital for the immediately preceding taxable year, whichever is lesser, exceeds the consolidated yearly base period capital for the second preceding taxable year.

(68) *Consolidated yearly base period capital.* The consolidated yearly base period capital for a taxable year shall be the sum of—

(i) The consolidated equity capital at the beginning of the first day of such taxable year, and

(ii) An amount equal to 75 percent of the consolidated daily borrowed capital for such first day, reduced by the sum of—

(iii) The aggregate of the inadmissible assets of the several members of the affiliated group at the beginning of such first day minus 25 percent of the excess, if any, of such aggregate over the consolidated equity capital at the beginning of such first day,

(iv) Seventy-five percent of the consolidated controlled group indebtedness for such first day, and

(v) Seventy-five percent of the aggregate of the adjustments for interest on borrowed capital under section 435 (f) (5) of the several members of the group for such first day.

(69) *Consolidated controlled group indebtedness.* The consolidated controlled group indebtedness for any day shall be the aggregate of the indebtedness owed to each of the several members of the affiliated group by other corporations which are members on such day of the same controlled group, as defined in section 435 (g) (6), as such member of the affiliated group.

(70) *Consolidated net capital addition.* The consolidated net capital addition for the taxable year shall be—

(i) The excess, divided by the number of days in the taxable year, of the aggregate of the consolidated daily capital addition for each day of the taxable year over the aggregate of the consolidated daily capital reduction for each such day, reduced (but not below zero) by

(ii) The consolidated increase in inadmissible assets for the taxable year, less 25 percent of the excess, if any, of such consolidated increase in inadmissible assets over an amount computed under (i) without regard to section 435 (g) (3) (C), relating to borrowed capital.

(71) *Consolidated net capital reduction.* The consolidated net capital reduction for the taxable year shall be—

(i) The excess, divided by the number of days in the taxable year, of the aggregate of the consolidated daily capital reduction for each day of the taxable year over the aggregate of the consolidated daily capital addition for each such day, reduced (but not below zero) by

(ii) The consolidated decrease in inadmissible assets for the taxable year, less 25 percent of the excess, if any, of such consolidated decrease in inadmissible assets over an amount computed under (i) without regard to section 435 (g) (4) (C) and (E), relating to borrowed capital and loans to members of a controlled group.

(72) *Consolidated daily capital addition.* The consolidated daily capital addition for any day of the taxable year shall be the sum of—

(i) The aggregate of the amounts of money and property paid in to the several members of the affiliated group for stock or as paid-in surplus or as a contribution to capital, after the beginning of such taxable year and prior to such day;

(ii) The amount, if any, by which the consolidated equity capital at the beginning of the taxable year exceeds the consolidated equity capital at the beginning of the first excess profits tax taxable year of the group; and

(iii) Seventy-five percent of the excess of the consolidated average borrowed capital for the taxable year over the consolidated daily borrowed capital for the first day of the first excess profits tax taxable year of the group.

(73) *Consolidated daily capital reduction.* The consolidated daily capital reduction for any day of the taxable year shall be the sum of—

(i) The aggregate of the distributions by the several members of the affiliated group to shareholders (other than members of the group) previously made during such taxable year which are not out of the earnings and profits of such taxable year;

(ii) The amount, if any, by which the consolidated equity capital at the beginning of the first excess profits tax taxable year of the group exceeds the consolidated equity capital at the beginning of the taxable year;

(iii) Seventy-five percent of the amount, if any, by which the consolidated daily borrowed capital for the first day of the first excess profits tax taxable year of the group exceeds the consolidated average borrowed capital for the taxable year;

(iv) The consolidated section 435 (g) (6) adjustment, relating to increase in certain inadmissible assets; and

(v) Seventy-five percent of the consolidated section 435 (g) (7) adjustment, relating to increase in certain loans to members of a controlled group.

(74) *Consolidated average borrowed capital.* The consolidated average borrowed capital for the taxable year shall be the aggregate of the consolidated daily borrowed capital for each day of the taxable year divided by the number of days in the taxable year.

(75) *Consolidated decrease in inadmissible assets.* The consolidated decrease in inadmissible assets shall be the excess of the consolidated original inadmissible assets over the consolidated average inadmissible assets for the taxable year.

(76) *Consolidated section 435 (g) (6) adjustment.* The consolidated section 435 (g) (6) adjustment for any day shall be whichever of the following amounts is the lesser:

(i) The excess of the consolidated controlled group stock for such day over the consolidated original controlled group stock; or

(ii) The excess of the aggregate of the inadmissible assets held by the several members of the group at the beginning of such day over the consolidated original inadmissible assets.

(77) *Consolidated controlled group stock.* The consolidated controlled group stock for any day of the taxable year shall be the aggregate of the adjusted basis of the stock held by the several members of the affiliated group at the beginning of such day which is stock in a corporation included in a controlled group (as defined in section 435 (g) (6)) which also includes a member of the affiliated group.

(78) *Consolidated original controlled group stock.* The consolidated original controlled group stock shall be the consolidated controlled group stock for the first day of the first excess profits tax taxable year of the group.

(79) *Consolidated section 435 (g) (7) adjustment.* The consolidated section 435 (g) (7) adjustment shall be the excess of the consolidated controlled group indebtedness for such day over the consolidated original controlled group indebtedness.

(80) *Consolidated original controlled group indebtedness.* The consolidated original controlled group indebtedness shall be the consolidated controlled group indebtedness for the first day of the first excess profits tax taxable year of the group.

(81) *Consolidated alternative average base period net income.* The consolidated alternative average base period net income shall be one-third of the aggregate of the consolidated alternative excess profits net income for each month in the consolidated alternative selected base period.

(82) *Consolidated alternative selected base period.* The consolidated alternative selected base period shall be—

(i) The 36 months in the consolidated base period remaining after eliminating the 12 consecutive months having the lowest aggregate consolidated alternative excess profits net income, or

(ii) The 36 consecutive months in the consolidated base period having the highest aggregate consolidated alternative excess profits net income,

whichever produce the higher aggregate consolidated alternative excess profits net income.

(83) *Consolidated alternative excess profits net income.* The consolidated alternative excess profits net income for any month shall be an amount equal to the sum of—

(i) The combined excess profits net income for such month determined under section 433 (b) for the several affiliated corporations other than the affiliated corporations described in (ii) and other than the affiliated corporations to which (iii) is applicable for such month,

(ii) In the case of any member of the affiliated group to which section 442 (d), 443, 444, 445, or 446 is applicable, one-twelfth of the average base period net income separately computed under such section for such member, and

(iii) In the case of any member of the group (other than a member described in (ii)) to which section 442 (c) is applicable, and for which such month is a month identified under section 442 (c) (3), the substitute excess profits net income for such month separately computed under section 442 (c) for such member,

minus the combined deficits in excess profits net income for such month determined under section 433 (c) for the several affiliated corporations other than the corporations described in (ii) and other than the affiliated corporations to which (iii) is applicable for such month.

(84) *Consolidated section 448 excess profits credit.* The consolidated section 448 excess profits credit shall be the sum of—

(i) The tax imposed upon the affiliated group by sections 13, 14, 15, and 141 (c) for the taxable year, and

(ii) The excess of the consolidated section 448 (b) gross amount over the consolidated section 448 inadmissible asset adjustment.

(85) *Consolidated section 448 (b) gross amount.* The consolidated section 448 (b) gross amount shall be the excess of an amount determined by multiplying the applicable percentage prescribed by section 448 (c) (determined as if the affiliated group were a single corporation) by the sum of—

(i) The consolidated adjusted invested capital for the taxable year computed without regard to the consolidated net new capital addition and without regard to the consolidated average borrowed capital, and

(ii) The consolidated average borrowed capital for the taxable year,

over the aggregate of the amount of the interest deduction of the several members of the group for the taxable year with respect to indebtedness included in the consolidated average borrowed capital.

(86) *Consolidated section 448 inadmissible asset adjustment.* The consolidated section 448 inadmissible asset adjustment shall be an amount which bears the same ratio to the consolidated section 448 (b) gross amount as the aggregate inadmissible assets of the several affiliated corporations bear to the aggregate admissible and inadmissible assets of such corporations.

(87) *Consolidated unused excess profits credit adjustment.* The consolidated unused excess profits credit adjustment shall be an amount equal to the sum of the consolidated unused excess profits credit carry-overs and the

consolidated unused excess profits credit carry-back to the taxable year.

(88) *Consolidated unused excess profits credit carry-over.* The consolidated unused excess profits credit carry-overs to the taxable year shall consist of—

(i) The consolidated unused excess profits credits, if any, for the five preceding taxable years (not including any taxable year ending prior to July 1, 1950) to the extent that the consolidated unused excess profits credit for any such preceding taxable year was not attributable to a corporation making a separate return, or joining in a consolidated return filed by another affiliated group, for the taxable year, and was not absorbed as a carry-over or carry-back by the consolidated or separate adjusted excess profits net income for preceding or intervening taxable years,

and, with respect to an unused excess profits credit of a corporation for a taxable year for which a separate return was filed, or for which such corporation joined in a consolidated return filed by another affiliated group, but subject to the limitations prescribed in section 24.31 (b) (21),

(ii) The amount of the unused excess profits credits, if any, of such corporation for the five preceding taxable years (not including any taxable year ending prior to July 1, 1950) to the extent that the unused excess profits credit for any such preceding taxable year was not absorbed as a carry-over or carry-back by consolidated or separate adjusted excess profits net income for preceding or intervening taxable years.

(89) *Consolidated unused excess profits credit carry-back.* The consolidated unused excess profits credit carry-back to the taxable year shall consist of—

(i) The amount of the consolidated unused excess profits credit, if any, for the succeeding taxable year, to the extent not attributable to a corporation making a separate return, or joining in a consolidated return filed by another affiliated group, for the taxable year,

and, with respect to an unused excess profits credit of a corporation which, for the succeeding taxable year, files a separate return or joins in a consolidated return filed by another affiliated group, but subject to the limitations prescribed in § 24.31 (b) (21),

(ii) The amount of the unused excess profits credit, if any, of such corporation for the succeeding taxable year.

(90) *Consolidated unused excess profits credit.* The consolidated unused excess profits credit for any taxable year ending after June 30, 1950, shall be an amount equal to the excess of the consolidated excess profits credit over the consolidated section 433 (a) excess profits net income for such taxable year, both computed on the basis of the consolidated excess profits credit applicable to such taxable year, and computed without the allowance of any consolidated net operating loss deduction for such taxable year, except that—

(i) In the case of a taxable year of the affiliated group of less than 12 months, such amount shall be reduced to an amount which is such part thereof as the number of days in the taxable year of the group is of the number of days in the 12 months period ending with the close of such taxable year;

(ii) In the case of a taxable year of the group beginning before July 1, 1950, and ending after June 30, 1950, such amount shall be reduced to an amount which is such part thereof as the number of days in such taxable year after June 30, 1950, is of the total number of days in such taxable year;

(iii) In the case of a taxable year of the group beginning before July 1, 1953, and ending after June 30, 1953, such amount shall be reduced to an amount which is such part thereof as the number of days in such taxable year before July 1, 1953, is of the total number of days in such taxable year; and

(iv) In the case of a taxable year for which the group is exempt from the excess profits tax, such amount shall be zero.

(b) *Computations.* In the case of affiliated corporations which make, or are required to make, a consolidated return, and except as otherwise provided in the regulations in this part—

(1) *Net income.* The net income of each corporation shall be computed in accordance with the provisions covering the determination of net income of separate corporations, except—

(i) There shall be eliminated unrealized profits and losses in transactions between members of the affiliated group and dividend distributions from one member of the group to another member of the group (referred to in these regulations as intercompany transactions);

(ii) No net operating loss deduction shall be taken into account;

(iii) No capital gains or losses shall be taken into account;

(iv) There shall be disregarded all gains and losses from involuntary conversions and from sales and exchanges of property subject to the provisions of section 117 (j);

(v) In the computation of the deduction under section 23 (v), relating to amortizable bond premium, there shall be disregarded the bonds of one member of the group owned by another member of the group during the taxable year;

(vi) In the computation of the net income of a corporation for the taxable year in which it became the common parent corporation of the affiliated group filing a consolidated return, the aggregate deductions of such corporation for such year otherwise allowable in excess of the gross income of such corporation for such year shall be excluded to the extent that such excess is attributable to that portion of such year preceding the date upon which such corporation became the common parent corporation of the group. Any amount excluded under this subdivision shall, to the extent that it constitutes a net operating loss within the provisions of section 122 or a net capital loss within the provisions of section 117, be considered as a net operating loss or a net capital loss, as the case may be, separately sustained by such corporation and subject to the provisions of (a) (3) (ii) or (a) (9) (ii) of this section;

(vii) In the case of a corporation which became a member of the affiliated group subsequent to March 14, 1941, common parent corporation or subsidiary, as the case may be, allowable deductions shall be determined subject to the qualifications prescribed in subparagraph (11) of this paragraph; and

(viii) No deduction under section 23 (q) with respect to charitable or other contributions shall be taken into account.

Intercompany profits and losses which have been realized by the group through final transactions with persons other than members of the group, and intercompany transactions which do not affect the consolidated net income, consolidated normal-tax net income, consolidated corporation surtax net income, or consolidated adjusted excess profits net income, shall not be eliminated. For the purpose of the regulations in this part, a transaction not involving a sale or exchange of a capital asset or of property subject to the provisions of section 117 (j) shall not be considered an intercompany transaction if such transaction occurs in the regular course of the trade or business of the members of the group and if such members adopt, with the consent of the Commissioner and subject to such conditions as he deems proper, a consistent accounting practice of taking into account in the computation of consolidated net income the gains and losses reflected in such transactions. As used in this paragraph, the term "net income" includes the case in which the allowable deductions of a member (not including any net operating loss deduction) exceed its gross income.

(2) *Other computations on separate basis.* The various other computations required by the regulations in this part to be made by the several affiliated corporations shall be made in the case of each such corporation in the same manner and under the same conditions as if a separate return were to be filed, but with the following exceptions:

(i) *Net income.* The net income used in any such computation shall be the net income of the corporation determined in accordance with the provisions of this section.

(ii) *Dividends received.* In the computation of the dividends received, there shall be excluded all dividends received from other members of the affiliated group.

(iii) *Capital gains and losses.* Capital gains and losses, short-term capital gains and losses, long-term capital gains and losses, and the additional capital loss deduction authorized by section 204 (c) (5) shall be determined without regard to

(*a*) Gains or losses arising in intercompany transactions,

(*b*) Gains or losses from involuntary conversions and from sales or exchanges of property subject to the provisions of section 117 (j),

(*c*) The net capital loss carry-overs provided in section 117 (e) (1), and,

(*d*) In the case of a corporation which became a member of the affiliated group subsequent to March 14, 1941, common parent corporation or subsidiary, as the case may be, capital losses to the extent

disallowed pursuant to the provisions of subparagraph (11) of this paragraph.

(iv) *Net operating loss.* In the computation of the net operating loss as defined, either in section 26 (c) (2) or in section 122 (a), the provisions of this section pertaining to the determination of net income shall apply.

(v) *Dividends paid.* In the computation of dividends paid, there shall be excluded all dividends paid by one member of the group to another.

(vi) *Consent dividends credit.* In the computation of the consent dividends credit, no amounts shall be included with respect to consents given by other members of the group.

(vii) *Federal income tax.* In the computation of the Federal income tax, there shall be used the consolidated tax, or a proportionate part thereof, if the tax payable is properly computed on the basis of the consolidated return.

(viii) *Dividends paid by public utility.* In the computation of dividends paid on the preferred stock of a public utility, there shall be excluded all dividends paid by such public utility to another member of the group.

(ix) *Gains or losses under section 117 (j).* Gains and losses from involuntary conversions and from sales or exchanges of property subject to the provisions of section 117 (j) shall be determined without regard to—

(*a*) Gains or losses from intercompany transactions, and

(*b*) In the case of a corporation which became a member of the affiliated group subsequent to March 14, 1941, common parent corporation or subsidiary, as the case may be, such portion of any such loss as is disallowed pursuant to the provisions of subparagraph (11) of this paragraph.

(x) *Capital addition.* In the computation of the capital addition under section 437 (d), there shall be disregarded money and property paid in during the taxable year for stock, or as paid-in surplus, or as a contribution to capital, by one member of the group to another member of the group.

(xi) *Capital reduction.* In the computation of the capital reduction under section 437 (e), there shall be disregarded distributions made during the taxable year by one member of the group to another member of the group.

(xii) *Borrowed capital.* In the computation of the average borrowed capital under section 439 (a), in the computation of the daily borrowed capital under section 439 (b), and in the computation of excluded borrowed capital under section 438 (f), there shall be excluded from borrowed capital the amount of any outstanding indebtedness of the corporation owing to another member of the affiliated group.

(xiii) *Total assets for equity capital purposes.* In the computation of the total assets for consolidated equity capital purposes, the following rules shall apply:

(*a*) In the case of a corporation owning stock of another member of the affiliated group, there shall be subtracted an amount equal to the adjusted basis of such stock for determining gain.

(*b*) In the case of a corporation the stock of which is held by other members of the group with a basis for equity capital purposes determined to be a cost basis, the adjusted basis of its assets attributable to the stock so held on the date on which such corporation became a member of the group (whether such date falls before, on, or after July 1, 1950, and whether such date falls within a consolidated or separate return period) shall be determined as if, on such date, the adjusted basis of its assets were equal to the fair market value of such assets as of such date. If the aggregate cost basis of the stock of such corporation held by other members of the group as of the date on which such corporation became a member of the group differs, plus or minus, from the aggregate fair market value of all assets of such corporation (other than goodwill) reduced by the aggregate of its liabilities as of such date, the difference, to the extent attributable to such stock, shall be considered as an intangible asset of such corporation, positive goodwill or negative goodwill, as the case may be, which shall be taken into account in determining total assets. The adjusted basis of any assets held by such corporation during the taxable year with a basis fixed, in whole or in part, by reference to the basis of other assets held by such corporation as of the date on which it became a member of the group shall be properly adjusted, for consolidated equity capital purposes, so as to reflect the unrealized appreciation or depreciation in the value of such other assets recognized for consolidated equity capital purposes as of such date.

(*c*) If additional stock of a corporation is acquired by other members of the group subsequent to the date on which the corporation became a member of the group and is held by such other members with a basis determined for consolidated equity capital purposes to be a cost basis, an adjustment similar to that prescribed in (*b*) shall be made in determining the adjusted basis of the assets of such corporation attributable to such stock as of the date on which such stock was acquired.

(*d*) In the case of assets subject to the provisions of (*b*) or (*c*) which are transferred, either in a consolidated or separate return period, from one member of the group to another member of the group in a transaction in which the basis to the transferee is determined, in whole or in part, by reference to the basis of such assets in the hands of the transferor, the basis determined and adjusted under (*b*) or (*c*) in the case of the transferor shall be given effect for consolidated equity capital purposes in the determination of the basis of such assets in the hands of the transferee.

(xiv) *Net income and net operating loss for consolidated recent loss period.* In computing the net income and net operating loss for the consolidated recent loss period—

(*a*) In the case of two or more members of the affiliated group (including any component corporation of any such member as defined in section 461) affiliated with each other within the meaning of section 141 during any of the years in the consolidated recent loss period, whether or not consolidated returns were filed for any of such years, there shall be excluded intercompany profits and losses resulting from transactions between such corporations to the extent that such profits and losses would otherwise be taken into account;

(*b*) In the case of a corporation which became a member of the group after the beginning of the consolidated recent loss period, there shall be excluded its net income and net operating losses for the period prior to the date on which it became a member of the group, to the extent attributable to its stock held with a cost basis on such date;

(*c*) In the case of a corporation, additional stock of which is acquired with a cost basis after the date on which such corporation became a member of the group and after the beginning of the consolidated recent loss period, there shall be excluded its net income and net operating losses for the period prior to the date of acquisition of such stock, to the extent attributable to such stock.

(xv) *Money and property paid in for stock, etc., and excluded equity capital.* In computing (for the purpose of the consolidated adjusted invested capital, the consolidated net new capital addition, and the consolidated net capital addition and reduction) the amount of money and property paid in for stock or as paid-in surplus or as a contribution to capital, and in the computation of excluded equity capital—

(*a*) There shall be disregarded any amount paid in by one member of the affiliated group to another member of the group;

(*b*) In the case of a corporation which became a member of the group after the beginning of the first excess profits tax taxable year of the group, there shall be disregarded the amount paid in prior to the date on which it became a member of the group, to the extent attributable to its stock held with a cost basis on such date;

(*c*) In the case of a corporation, additional stock of which is acquired with a cost basis after the date on which such corporation became a member of the group and after the beginning of the first excess profits tax taxable year of the group, there shall be disregarded the amount paid in prior to the date of the acquisition of such stock, to the extent attributable to such stock;

(*d*) There shall be disregarded any amount paid in which consists of the stock of a corporation which is already a member of the group; and

(*e*) For the purpose only of computing the consolidated net capital addition or reduction, if a corporation becomes a member of the group during the taxable year, and if, during the taxable year and on or before the date on which it became a member of the group, stock of such corporation was paid in to other members of the group, the amount so paid in shall be disregarded for each day after such date.

(xvi) *Distributions of stock of members of affiliated group.* For the purpose of computing the consolidated adjusted invested capital, the consolidated net new capital addition, and the con-

solidated net capital addition or reduction, a distribution of stock of a member of the group shall be disregarded if such distribution does not break the affiliation.

(xvii) *Distributions prior to affiliation.* For the purpose of computing the consolidated adjusted invested capital, the consolidated net new capital addition, and the consolidated net capital addition or reduction, in the case of a corporation which becomes a member of the group after the beginning of the taxable year, there shall be disregarded distributions made by such corporation during the taxable year and prior to the date such corporation became a member of the group, to the extent attributable to its stock held with a cost basis on such date.

(xviii) *Admissible and inadmissible assets.* In the computation of admissible and inadmissible assets—

(*a*) There shall be excluded all intercompany items;

(*b*) Inventories shall be computed pursuant to the provisions of § 24.39;

(*c*) Except for the purpose described in (*d*), such assets shall be determined under the rules applicable in determining total assets for consolidated equity capital purposes;

(*d*) For the purpose of computing the consolidated invested capital credit based upon the consolidated historical invested capital, proper adjustment shall be made with respect to any unrealized appreciation and depreciation in assets reflected in consolidated historical invested capital; and

(*e*) In determining the consolidated increase in inadmissible assets for the purpose of computing the consolidated net capital addition, the inadmissible assets of a corporation, a member of the affiliated group, for any day shall be decreased by the portion of the consolidated section 435 (g) (6) adjustment for such day attributable to such corporation.

(xix) *Average invested capital.* In the computation of average invested capital (which, under this section, may be a minus amount), the following rules shall apply:

(*a*) There shall be excluded any accumulated earnings and profits.

(*b*) Intercompany distributions made during the taxable year shall be disregarded.

(*c*) Money or property paid in for stock or as paid-in surplus or as a contribution to capital during the taxable year by one member of the group to another member of the group shall be disregarded.

(*d*) With respect to the stock of another member of the affiliated group held with a basis for consolidated invested capital purposes determined to be a basis other than cost, there shall be subtracted from equity invested capital otherwise computed an amount equal to such basis adjusted by an amount equal to the adjustments proper under section 115 (1) for determining earnings and profits, except that no adjustment shall be made with respect to—

(*1*) Transactions referred to in (*b*) and (*c*), and

(*2*) Losses of the issuing corporation subsequent to the acquisition of such stock which losses were included in a consolidated income or excess profits tax return.

(*e*) In the case of a member of the affiliated group the stock of which is held by other members of such group with a basis for consolidated invested capital purposes determined to be a cost basis, there shall be excluded as of the date on which such corporation became a member of the group that portion of its equity invested capital attributable to the shares of stock so held; there shall also be excluded, as of the date of any subsequent acquisition, that portion of its equity invested capital attributable to shares of stock similarly acquired and held by other members of the group; no addition shall be made on account of money or property (not including stock of another member of the group held with a basis determined to be a basis other than cost) thereafter paid in for stock held by any other member of the group or as paid-in surplus or a contribution to capital paid in with respect to shares of stock subject to the provisions of this sentence; and no reduction shall be made on account of any distribution thereafter made to any other member of the group.

(*f*) With respect to distributions made in a consolidated income or excess profits tax return period prior to the taxable year by one member of the affiliated group to another member of the group, the average invested capital of the distributee shall not be increased by any amount in excess of the amount by which the average invested capital of the distributor or its earnings and profits, accumulated before March 1, 1913, were decreased.

(*g*) The average invested capital of a corporation which is a member of the affiliated group for only a part of the taxable year shall be its aggregate daily invested capital computed with the adjustments set forth in this section for each day of such taxable year during which it is a member of the group (excluding the day on which it became a member) divided by the number of days in the taxable year of the group.

(xx) *Accumulated earnings and profits.* In the computation of accumulated earnings and profits or the deficit in accumulated earnings and profits as of the beginning of the taxable year, the following rules shall apply:

(*a*) In the case of a member of the affiliated group the stock of which is held by other members of such group with a basis for consolidated invested capital purposes determined to be a cost basis, there shall be excluded as of the date on which such corporation became a member of the group that portion of its earnings and profits, or deficit in earnings and profits, previously accumulated and properly allocable to the shares of stock so held; there shall also be excluded, as of the date of any subsequent acquisition, any earnings and profits, or deficit in earnings and profits, previously accumulated and properly allocable to any shares of stock similarly acquired and held by other members of the group.

(*b*) There shall be excluded profits and losses unrealized by the affiliated group reflected in the opening inventory of the taxable year, whether or not a consolidated return was filed for the preceding taxable years, together with all other unrealized profits and losses reflected in transactions between members of the affiliated group in prior taxable years for which a return was made or was required on a consolidated basis, whether under section 141 or under the provisions of any prior income or excess profits tax law.

(*c*) With respect to distributions from such accumulated earnings and profits made during the taxable year by one member of the affiliated group to another member of the group, such accumulated earnings and profits of the distributee shall be increased in an amount equal to that by which such accumulated earnings and profits of the distributor are decreased.

(*d*) With respect to distributions in stock, as defined by section 458 (f) (1), made prior to the taxable year by one member of the affiliated group to another member of the group, the accumulated earnings and profits of the distributee shall not be increased in any amount in excess of that by which the sum of the average invested capital and the accumulated earnings and profits of the distributor is decreased.

(*e*) With respect to distributions made in a prior taxable year for which a return was made or was required on a consolidated basis, whether under section 141 or under the provisions of any prior income or excess profits tax law, by one member of the group to another member of the group, the accumulated earnings and profits of the distributee shall not be increased by any amount in excess of the amount by which either the average invested capital or the earnings and profits of the distributor were decreased.

(*f*) If the invested capital of the affiliated group is computed pursuant to the provisions of subdivision (xix) (*e*) of this subparagraph, proper adjustment shall be made with respect to the amount of any realizations prior to the beginning of the taxable year upon any unrealized appreciation or depreciation in assets previously reflected in consolidated historical invested capital.

(*g*) In the case of a corporation which is a member of the affiliated group for only a part of the taxable year, the accumulated earnings and profits or the deficit in accumulated earnings and profits as of the beginning of the taxable year shall be an amount equal to its accumulated earnings and profits or its deficit in accumulated earnings and profits as of the beginning of the taxable year of the group or the beginning of the day following the day on which it becomes a member of the group, as the case may be, multiplied by the number of days of such year during which it is a member of the group (excluding the day on which it becomes a member) and divided by the total number of days in such year.

(*h*) In the case of distributions from earnings and profits made by a member of the group with respect to stock held by another member of the group with a cost basis, there shall be subtracted from the earnings and profits of the distribu-

tee an amount equal to the aggregate of such distributions as were made between the date of acquisition of such stock and the date as of which the distributor became a member of the group.

(xxi) *Equity invested capital.* In the computation of equity invested capital (which, under this section, may be a minus amount), effect shall be given to the adjustments prescribed in subdivision (xix) of this subparagraph (relating to the computation of average invested capital) to the extent that such adjustments pertain to the computation of equity invested capital.

(xxii) *Determination of excess profits net income under section 433 (b) and (c).* In computing the excess profits net income under section 433 (b) or the deficit in excess profits net income under section 433 (c) of a corporation, the following rules shall apply:

(*a*) The excess profits net income under section 433 (b) for any month or the deficit in excess profits net income under section 433 (c) for any month shall be the excess profits net income under section 433 (b), or the deficit in excess profits net income under section 433 (c), as the case may be, for the taxable year of the corporation in which such month falls, divided by the number of full calendar months in such taxable year.

(*b*) If two or more members of the affiliated group (including any component corporation of any such member within the meaning of section 461) were affiliated with each other during any taxable year, whether or not a consolidated return was filed for such year, there shall be excluded intercompany profits and losses resulting from transactions between such corporations to the extent that such profits and losses would otherwise be taken into account.

(*c*) The amount of the adjustment under section 433 (b) (5), relating to repayment of processing taxes to vendees, shall be computed without regard to any repayment or credit to another member of the affiliated group.

(*d*) In the case of an affiliated group of life insurance companies determining the adjustment under section 433 (b) (14), there shall be computed a tentative adjustment as if such corporations were affiliated and were filing a consolidated return for such taxable year, and the adjustment of each corporation shall be the portion thereof attributable to such corporation.

(*e*) In the case of a corporation which is a member of the affiliated group for only a part of a taxable year for which the excess profits credit is being computed, the amount to be included with respect to the taxable year for which excess profits net income is being computed shall be limited to an amount which bears the same ratio to its excess profits net income or its deficit in excess profits net income for such year, as the case may be, as the number of days of the taxable year for which the credit is being computed during which it was a member of the group (excluding the day on which it becomes a member) bears to the total number of days in such taxable year.

(*f*) If the stock of a subsidiary corporation owned by other members of the group at any time during the taxable year for which the credit is being computed was acquired by such members, or by other members of the group, at any time on or after the first day of the taxable year for which excess profits net income is being computed, but only to the extent to which the consideration for such acquisition was not the issuance of the stock of the acquiring corporation (not including an acquisition from another member of the group which was affiliated with the acquiring corporation at the time of such acquisition, whether or not a consolidated return was filed for the year in which such acquisition occurred), or if the stock of another subsidiary owned at any time during the taxable year for which the credit is being computed was owned by such first subsidiary, the stock of which was so acquired, as of the date of such acquisition, there shall be excluded in the computation of the excess profits net income of each such subsidiary corporation, or of its deficit in excess profits net income, a proportionate part of the amount thereof otherwise computed, such proportionate part to be determined pursuant to the provisions of section 462 (j) (1), as if such subsidiaries were component corporations within the provisions of section 461 (b).

(xxiii) *Weighted excess profits net income and weighted deficit in excess profits net income.* The weighted excess profits net income and the weighted deficit in excess profits net income of a corporation for any month shall be the weighted excess profits net income, or the weighted deficit in excess profits net income, for the taxable year in which such month falls, divided by the number of full calendar months in such taxable year. The weighted excess profits net income and the weighted deficit in excess profits net income for any taxable year shall be the excess profits net income determined under section 433 (b), or the deficit in excess profits net income determined under section 433 (c), as the case may be, for such taxable year, reduced to an amount which is the same percentage thereof as the percentage, applicable to such taxable year, specified in section 435 (e) (2) (E).

(xxiv) *Controlled group indebtedness.* The indebtedness included in computing consolidated controlled group indebtedness for any day shall be determined under the following rules:

(*a*) The amount of such indebtedness shall be ascertained under the rules applicable in determining total assets for consolidated equity capital purposes;

(*b*) The indebtedness of one member of the affiliated group owed to another member of the group shall be disregarded; and

(*c*) There shall be included only indebtedness which constitutes daily borrowed capital for such day of the corporation owing such indebtedness.

(xxv) *Stock in member of controlled group.* For the purpose of determining the consolidated section 435 (g) (6) adjustment for any day, the adjusted basis of stock held by a member of an affiliated group in a corporation included in a controlled group (as defined in section 435 (g) (6)) which also includes a member of the affiliated group, shall be determined under the following rules:

(*a*) The adjusted basis of such stock shall be determined under the rules applicable in determining total assets for consolidated equity capital purposes; and

(*b*) Stock of a member of the affiliated group shall be disregarded.

(xxvi) *Average base period net income computed under section 442, 443, 444, 445, or 446.* In computing the average base period net income of any member of the affiliated group under section 442, 443, 444, 445, or 446, the following rules shall apply:

(*a*) In computing total assets as of any day after December 1, 1950 (the date of introduction in the House of Representatives of the Excess Profits Tax Bill of 1950)—

(*1*) The total assets otherwise computed shall be reduced by an amount equal to—

(i) The cash, and

(ii) The adjusted basis of those assets having a basis determined in whole or in part by reference to their basis in the hands of another member of the group,

acquired from another member of the group after December 1, 1950, properly adjusted with respect to any money paid or property (other than stock or securities of a member of the group) exchanged for such cash or assets; and

(*2*) The total assets otherwise computed shall be reduced by the outstanding indebtedness incurred after December 1, 1950, to another member of the group, properly adjusted with respect to any such indebtedness incurred in the transactions described in (*1*).

(*b*) If total assets are determined for any day after December 1, 1950, the total interest paid or incurred by such member for any period including such day shall be determined without regard to the amount paid or incurred to another member of the group with respect to indebtedness which reduced such total assets under (*a*) (*2*).

(*c*) In determining total facilities for the purpose of applying section 444 to a member of the group, any facility held by such member on the last day of the consolidated base period which was acquired from another member of the group with a basis determined in whole or in part by reference to its basis in the hands of such other member shall be deemed to have been held by the member to which section 444 is applicable from the date of its acquisition by a member of the group.

(*d*) If the stock of a subsidiary corporation owned by other members of the group at any time during the taxable year for which the credit is being computed was acquired by such members, or by other members of the group, at any time on or after the first day of the consolidated base period, but only to the extent to which the consideration for such acquisition was not the issuance of the stock of the acquiring corporation (not including an acquisition from another member of the group which was affiliated with the acquiring corporation at the time of such acquisition, whether or

not a consolidated return was filed for the year in which such acquisition occurred), or if the stock of another subsidiary owned at any time during the taxable year for which the credit is being computed was owned by such first subsidiary, the stock of which was so acquired, as of the date of such acquisition, there shall be excluded in the computation of the average base period net income under such section of each such subsidiary corporation, a proportionate part of the amount thereof otherwise computed, such proportionate part to be determined pursuant to the provisions of section 462 (j) (1), as if such subsidiaries were component corporations within the provisions of section 461 (b).

(e) For the purpose of such computations, if the taxable year of the member is different from the taxable year of the group, the taxable year of the group shall be used.

(xxvii) *Base period capital addition and net capital addition or reduction if alternative average base period net income is used.* In computing the base period capital addition or the net capital addition or reduction of a member of the group for the purpose of determining the consolidated base period capital addition or the consolidated net capital addition or reduction if the consolidated alternative average base period net income is used, the items involved in such computation shall be properly adjusted to reflect the amounts thereof which would be included in computing the consolidated base period capital addition or the consolidated net capital addition or reduction if such consolidated alternative average base period net income were not used. For the purpose of such computations, if the taxable year of the member is different from the taxable year of the group, the taxable year of the group shall be used.

(3) *Limitations on net operating loss carry-overs and carry-backs from separate return years.* In no case shall there be included in the consolidated net operating loss deduction for the taxable year as consolidated net operating loss carry-overs under paragraph (a) (3) (ii) of this section (relating to the net operating losses sustained by a corporation in years for which separate returns were filed, or for which such corporation joined in a consolidated return filed by another affiliated group), and as a consolidated net operating loss carry-back under paragraph (a) (4) (ii) of this section (relating to a net operating loss sustained by a corporation in the year subsequent to the last taxable year in respect of which its income is included in the consolidated return), an amount exceeding in the aggregate the net income of such corporation (computed with the exceptions and limitations provided in section 122 (d) (1), (2), (3), and (4)) included in the computation of the consolidated net income for the taxable year increased by its separate net capital gain and increased or decreased, as the case may be, with respect to its separate gains or losses from involuntary conversions and from sales or exchanges of property subject to the provisions of section 117 (j).

(4) *Minimum deduction involving carry-overs and carry-backs from separate return years.* If a portion of the consolidated net operating loss deduction arises as a carry-over pursuant to the provisions of paragraph (a) (3) (ii) of this section (relating to net operating losses sustained by a corporation in years for which separate returns were filed, or for which such corporation joined in a consolidated return filed by another affiliated group), or as a carry-back pursuant to the provisions of paragraph (a) (4) (ii) of this section (relating to a net operating loss sustained by a corporation in the year subsequent to the last taxable year in respect of which its income is included in the consolidated return), the consolidated net operating loss deduction shall not be less than the amount of such portion reduced by the amount, if any, by which the net income of such corporation (computed with the exceptions and limitations provided in section 122 (d) (1), (2), (3), and (4)) exceeds the normal-tax net income of such corporation (computed without any net operating loss deduction, but taking into account the additional capital loss deduction authorized by section 204 (c) (5)), or, in the case of two or more such corporations, the sum of such portions so reduced.

(5) *Limitation on absorption of net operating loss carry-overs.* In the computation of the consolidated net operating loss deduction for the taxable year, if there is involved a net operating loss sustained in a prior year by a corporation filing a separate return for such prior year, or joining in a consolidated return for such prior year filed by another affiliated group, together with a consolidated net income for a consoli there are involved net operating losses of two or more members of the group so separately sustained, no portion of the consolidated net operating loss, or, if dated return period of the group intervening between the year of the loss and the taxable year shall be taken into account more than once in giving effect to the provisions of paragraph (a) (3) (ii) of this section, relating to the computation of the consolidated net operating loss carry-overs originating in separate return years.

(6) *Limitation on absorption of unused basic surtax credits.* If, in the computation of the consolidated dividend carry-over for the second consolidated return period in respect of which the income of a corporation is included in the consolidated return of the group, there is involved a separate unused basic surtax credit of such corporation for the second preceding taxable year together with a consolidated unused basic surtax credit for the second preceding taxable year, or if, for the second consolidated return period in respect of which the income of two or more members of the group is included in the consolidated return of the group, there are involved the separate unused basic surtax credits of such corporations for the second preceding taxable year, no portion of the excess of the consolidated subchapter A net income over the consolidated basic surtax credit for the first preceding taxable year shall be taken into account more than once in giving effect to the provisions of paragraph (a) (26) (ii) and (iv) of this section (relating to the computation of that part of the consolidated dividend carry-over attributable to the unused basic surtax credits of the second preceding taxable year).

(7) *Apportionment of consolidated net operating loss.* If an affiliated group filing a consolidated return sustains a consolidated net operating loss within the provisions of section 26 (c), relating to the net operating loss credit, or within the provisions of section 122, relating to the net operating loss deduction, and if there are included as members of such group one or more corporations which made separate returns, or joined in a consolidated return filed by another affiliated group, either in the preceding taxable year or in a succeeding taxable year, the portion of such consolidated net operating loss attributable to such corporations severally shall be determined, such portion in the case of any such corporation being determined in an amount proportionate to the net losses (capital net losses and ordinary net losses alike) of the several affiliated corporations having net losses, to the extent that such losses were taken into account in the computation of the consolidated net operating loss.

(8) *Apportionment of consolidated net capital loss.* If an affiliated group filing a consolidated return sustains a consolidated net capital loss, and if there are included as members of such group one or more corporations which make separate returns, or join in a consolidated return filed by another affiliated group, in a succeeding taxable year, the portion of such consolidated net capital loss attributable to such corporations severally shall be determined, such portion in the case of any such corporation being an amount which bears the same ratio to the consolidated net capital loss which the net capital loss of such corporation bears to the aggregate of the net capital losses for the taxable year sustained by the several affiliated corporations having net capital losses.

(9) *Apportionment of unused consolidated basic surtax credit.* If an affiliated group filing a consolidated return has an unused consolidated basic surtax credit, and if there are included as members of such group one or more corporations which make separate returns, or join in a consolidated return filed by another affiliated group, in a succeeding taxable year, the portion of such unused consolidated basic surtax credit attributable to such corporations severally shall be determined for the purpose of the dividend carry-over, such portion in the case of any such corporation being determined in an amount proportionate to the dividends paid, the consent dividend credits, the several factors involved in the computation of the consolidated net operating loss credit, and the subchapter A net incomes of the several affiliated corporations, to the extent that such items were taken into account in the computation of the consolidated basic surtax credit and the consolidated subchapter A net income.

(10) *Limitation on net capital loss carry-over from separate return year.* In no case shall there be included in the computation of the consolidated net capital gain for the taxable year as a consolidated net capital loss carry-over under paragraph (a) (9) (ii) of this section (relating to net capital losses separately sustained) an amount exceeding in the aggregate net capital gains of such corporation (determined without regard to any net capital loss carry-over) included in the computation of the consolidated net capital gain for the taxable year increased with respect to its separate net gains from involuntary conversions and from sales or exchanges of property subject to the provisions of section 117 (j),

(11) *Qualifications on deductions where group membership changed after March 14, 1941.* In the case of an affiliated group formed at any time subsequent to March 14, 1941, or having among its members in the taxable year one or more subsidiaries which became members of the group subsequent to March 14, 1941, the consolidated net income for the taxable year, and for prior and subsequent taxable years to the extent affected by carry-backs and carry-overs from the taxable year, shall be determined subject to the following qualifications:

(i) There shall be excluded in the case of the common parent corporation and in the case of any subsidiaries which were members of the group on March 14, 1941, those deductions from gross income otherwise allowable with respect to—

(*a*) Sales or exchanges of capital assets,

(*b*) Involuntary conversions and sales or exchanges of property subject to the provisions of section 117 (j),

(*c*) Securities subject to the provisions of section 23 (g) (4) or section 23 (*k*) (5), or

(*d*) Debts subject to the provisions of section 23 (k) (1),

to the extent that such deductions otherwise allowable exceed in the aggregate—

(*e*) In the case of capital losses, the excess of the aggregate capital gains over the aggregate capital losses of such corporations for the taxable year, or

(*f*) In the case of ordinary losses, the aggregate of the ordinary net income of such corporations for the taxable year, increased in an amount equal to any excess of aggregate capital gains over aggregate capital losses of such corporations,

such capital gains and losses and such ordinary net income being determined pursuant to the provisions of the regulations in this part but without regard to the provisions of subparagraphs (1) (iv) and (2) (iii) (*b*) of this paragraph and without regard to the losses in question;

(ii) There shall be excluded in the case of a subsidiary corporation which became a member of the affiliated group subsequent to March 14, 1941, those deductions from gross income otherwise allowable with respect to—

(*a*) Sales or exchanges of capital assets,

(*b*) Involuntary conversions and sales or exchanges of property subject to the provisions of section 117 (j),

(*c*) Securities subject to the provisions of section 23 (g) (4) or section 23 (k) (5), or

(*d*) Debts subject to the provisions of section 23 (k) (1),

to the extent that such deductions otherwise allowable are attributable to events preceding the date upon which such corporation became a member of the group, and

(*e*) Being capital losses, exceed—

(*1*) The capital gains reduced by all other capital losses of such corporation for the taxable year, in the case in which such corporation was not, on March 14, 1941, a member of an affiliated group within the meaning of section 141, or

(*2*) In case such corporation was a member of an affiliated group on March 14, 1941, an amount which, together with like losses computed subject to the provisions of the regulations in this part in the case of other members of the group during the taxable year which were affiliated with such corporation on March 14, 1941, within the meaning of section 141, is equal to the aggregate capital gains reduced by the aggregate of all other capital losses of such corporation and of such other members of the group, or

(*f*) Being ordinary losses, exceed—

(*1*) The ordinary net income of such corporation for the taxable year increased in an amount equal to any excess of capital gains over capital losses for the taxable year, in the case in which such corporation was not, on March 14, 1941, a member of an affiliated group within the meaning of section 141, or

(*2*) In case such corporation was a member of an affiliated group on March 14, 1941, an amount which, together with like losses computed subject to the provisions of the regulations in this part in the case of other members of the group during the taxable year which were affiliated with such corporation on March 14, 1941, within the meaning of section 141, is equal to the ordinary net income of such corporation for the taxable year increased by the aggregate of the ordinary net income and decreased by the aggregate of the ordinary net losses of other members of the affiliated group during the taxable year which were affiliated with such corporation on March 14, 1941, within the meaning of section 141, and increased further in an amount equal to any excess of aggregate capital gains over aggregate capital losses of such corporations,

such capital gains and losses, and ordinary net income and net losses, as the case may be, being determined pursuant to the provisions of the regulations in this part but without regard to the provisions of subparagraphs (1) (iv) and (2) (iii) (*b*) of this paragraph (b) and without regard to the losses in question;

(iii) The portion of any loss otherwise allowable as a deduction for the taxable year which is disallowed pursuant to the provisions of subdivisions (i) and (ii) of this subparagraph shall, to the extent that it constitutes a net capital loss within the provisions of section 117 or a net operating loss within the provisions of section 122, be considered as a net capital loss or a net operating loss, as the case may be, in respect of those members of the group by reference to which the amount of the deduction disallowed under subdivisions (i) and (ii) of this subparagraph was determined, originating, for the purpose of the carry-back provisions, in a taxable year subsequent to the last taxable year in respect of which their income was included in a consolidated return, and, for the purpose of the carry-over provisions, in a taxable year prior to the first taxable year in respect of which their income was included in a consolidated return;

(iv) The provisions of subdivisions (i) and (ii) of this subparagraph shall not apply with respect to the common parent corporation of an affiliated group formed subsequent to March 14, 1941, or to the common parent corporation or subsidiaries of a group in existence on March 14, 1941, acquiring new members subsequent to March 14, 1941, or with respect to subsidiaries becoming members of the group subsequent to March 14, 1941—

(*a*) If the group consists solely of the common parent corporation and one or more subsidiaries created, directly or indirectly, by the common parent corporation or by other members of the group;

(*b*) If, immediately after the corporation involved became a member of the group, common parent corporation or subsidiary, as the case may be, stock possessing at least 95 percent of the voting power of all classes of its stock then outstanding and at least 95 percent of each class of its nonvoting stock then outstanding is owned, directly or indirectly, by substantially the same interests by which such stock was owned on March 14, 1941;

(*c*) If the affiliated group involved was formed, or the new subsidiary became a member of the group, as an incident to an involuntary conversion or to a transfer made pursuant to an order of the Securities and Exchange Commission, the Federal Communications Commission, the Interstate Commerce Commission, or a similar regulatory body of State or Federal Government; or

(*d*) To the extent to which, upon consideration of the facts or circumstances presented by the particular case, the Commissioner determines that a consolidated net income computed with respect to the affiliated group but without regard to those subdivisions will not serve to distort the income tax liability of the group or of any of its members.

(*e*) If, upon consideration of the facts and circumstances presented by the particular case, the Commissioner determines that the general purpose of the provisions of subdivisions (i) and (ii) would be better served in a particular respect by adherence to a date subsequent to March 14, 1941, such subdivisions shall be administered in that respect as if the appropriate date determined by the Commissioner were substituted in such subdivisions in lieu of the date March 14, 1941.

(12) *Basis of intercompany stockholdings.* For the purpose of computing the consolidated excess profits credit for the

taxable year, the following rules shall apply:

(i) *Basis other than cost.* Stock of one member of the affiliated group held by another member of the group at any time during the taxable year shall be determined to be stock held with a basis other than cost if—

(*a*) Such stock is held with a basis fixed by reference to the basis of other property previously held by the corporation, but not including—

(*1*) Stock acquired from another corporation in exchange for property previously held with a cost basis if, at the time of such acquisition or immediately thereafter—

(*i*) The acquiring corporation or its shareholders were in control of the corporation from which such stock was acquired, or

(*ii*) The corporation from which such stock was acquired or its shareholders were in control of the acquiring corporation; or

(*2*) Stock held at a lower level in a corporate chain of three or more affiliated corporations to the extent that the lower-level corporation is connected with the affiliated group through intercompany stockholding interests at a higher level in such chain acquired subsequent to the date of acquisition of such lower-level stock and held with a cost basis; or

(*b*) Such stock is held with a basis fixed by reference to its basis in the hands of a preceding owner, but not including—

(*1*) Stock acquired from another member of an affiliated group of corporations in a taxable year for which the acquiring corporation and the transferring corporation filed a consolidated income or excess profits tax return if, immediately prior to such acquisition—

(*i*) Such stock was held by the transferring corporation with a cost basis, or

(ii) The stock of the transferring corporation or of any other member of the affiliated group holding stock in the transferring corporation, directly or indirectly, was held by other members of the group with a cost basis, whether or not the stock transferred was held by the transferring corporation with a cost basis,

but including stock so acquired which would have a basis other than cost if it had been acquired in an intercorporate liquidation described in (*2*) or in an exchange described in (*3*);

(*2*) Stock acquired in an intercorporate liquidation if, immediately prior to such liquidation—

(*i*) Such stock was held by the liquidated corporation with a cost basis, or

(*ii*) The stock of the liquidated corporation was held with a cost basis;

(*3*) Stock acquired from another member of a controlled group of corporations if, immediately prior to such acquisition—

(*i*) Such stock was held by the transferring corporation with a cost basis, or

(*ii*) The stock of the transferring corporation or of any other member of the controlled group holding stock in the transferring corporation, directly or indirectly, was held with a cost basis, whether or not the stock transferred was held by the transferring corporation with a cost basis, but including stock so acquired which would have a basis other than cost if it had been acquired in an intercorporate liquidation described in (*2*); or

(*4*) Stock held at a lower level in a corporate chain of three or more affiliated corporations to the extent that the lower-level corporation is connected with the affiliated group through intercompany stockholding interests at a higher level in such chain acquired subsequent to the date of acquisition of such lower-level stock and held with a cost basis.

(ii) *Cost basis.* Stock of one member of the affiliated group held by another member of the group at any time during the taxable year shall be determined to be stock held with a cost basis in all cases other than those in which the stock is determined to be stock held with a basis other than cost pursuant to the provisions of subdivision (i) of this subparagraph.

(iii) *Intercompany stock transfers.* In the case of stock of one member of the affiliated group held by another member of the group subject to the application of subdivision (i) (*b*) (*1*) (*ii*) of this subparagraph, relating to intercompany acquisitions during a consolidated return period, or (i) (*b*) (3) (*ii*), relating to acquisitions from another member of a controlled group of corporations, such stock shall have a basis for consolidated excess profits credit purposes in an amount equal to the basis which such stock would have in the hands of its present owner determined pursuant to the provisions of section 470 (a) and (b) or section 472 (c) (1) and (e) if such stock were acquired as the result of an intercorporate liquidation of the corporation transferring such stock and of each member of the group owning stock of the transferring corporation, directly or indirectly, through which such stock would have passed prior to its acquisition by its present owner.

(iv) *Definitions.* In determining whether stock of one member of the affiliated group held by another member of the group is held with a cost basis or a basis other than cost, the following definitions are applicable:

(*a*) The term "control" means the ownership of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of the corporation (except nonvoting stock which is limited and preferred as to dividends).

(*b*) The term "controlled group" means one or more chains of corporations connected through stock ownership with a common parent corporation if stock possessing at least 80 percent of the voting power of all classes of stock entitled to vote and at least 80 percent of each class of the nonvoting stock of each of the corporations (except the common parent corporation) is owned directly by one or more of the other corporations and the common parent corporation owns directly stock possessing at least 80 percent of the voting power of all classes of stock and at least 80 percent of each class of the nonvoting stock of at least one of the other corporations. As used in the preceding sentence, the term "stock" does not include nonvoting stock which is limited and preferred as to dividends.

(*c*) The term "intercorporate liquidation" means the receipt by a corporation of property in complete liquidation of another corporation to which—

(*1*) The provisions of section 112 (b) (6), or the corresponding provisions of a prior revenue law, are applicable, including the case in which an election has been made pursuant to the last sentence of section 113 (a) (15) of the Revenue Act of 1936, as amended by section 808 of the Revenue Act of 1938, or

(*2*) A provision of law is applicable prescribing the nonrecognition of gain or loss, in whole or in part, upon such receipt, including a provision of the regulations applicable to a consolidated income or excess profits tax return, but not including the provisions of section 112 (b) (7) of the Revenue Act of 1938 relating to certain complete liquidations occurring during December 1938, the provisions of section 112 (b) (7) of the Internal Revenue Code relating to certain complete liquidations occurring during some one calendar month in 1944 or 1951, the provisions of section 112 (b) (9) relating to certain complete liquidations of railroad corporations, or the provisions of section 112 (b) (10) relating to reorganizations of corporations in certain receivership and bankruptcy proceedings,

but only if none of such property so received is a stock or a security in a corporation the stock or securities of which are specified in the law applicable to the receipt of such property as stock or securities permitted to be received (or which would be permitted to be received if they were the sole consideration) without the recognition of gain.

(v) *Rules applicable in determination of basis.* In determining the total assets of a member of an affiliated group for consolidated equity capital purposes under subparagraph (2) (xiii) of this paragraph (b), or in determining the extent to which the equity invested capital of a subsidiary corporation is to be excluded under subparagraph (2) (xix) (*e*) of this paragraph (b), by reference to intercompany stockholding interests at a higher level in the corporate chain held with a cost basis (subparagraph (12) (i) (*b*) (*4*) of this paragraph (b)), and in adjusting the accumulated earnings and profits of a corporation the stock of which is held with a cost basis, either by reference to the date as of which such corporation became a member of the affiliated group or the date of any subsequent acquisition of its stock (subparagraph (2) (xx) (*a*) of this paragraph (b)), or by reference to realizations upon unrealized appreciation or depreciation of assets previously reflected in consolidated invested capital (subparagraph (2) (xx) (*f*) of this paragraph (b)), such determination and adjustment shall be made subject to the following rules:

(*a*) The determination and adjustment shall be made by reference to those

acquisitions and holdings of stock held in the corporate chain with a cost basis, and by reference to those acquisitions and holdings only, which, considering the time of such acquisitions and the position in the corporate chain in which such holdings appear, reflect the ultimate cost acquisition and the resulting ownership, direct or indirect, by the group of those economic interests of the group underlying such stockholding acquisitions.

Example (1). Suppose that A acquired for cash in 1930 all of the stock of B; that P subsequently, in 1935, acquired for cash all of the stock of A; and that the P–A–B group files a consolidated return for 1951. P's cash acquisition and holding of the stock of A acquired in 1935 reflects the group acquisition and holding of the entire subsidiary chain. Every adjustment of earnings and profits prescribed by these regulations, and every determination made by reference to stock acquired and held with a cost basis, those in the cases of A and B alike, will be made with respect to the costs incurred in 1935 and with respect to that date. The cost of the stock of B incurred in 1930 is a matter of no significance in the computation of consolidated invested capital for the taxable year.

Example (2). Suppose a state of facts similar to that suggested in example (1), but varied to this extent: A acquired the stock of B in 1940 instead of 1930. This change in the order of acquisition renders the cash acquisition by A of the stock of B a matter of significance in the consolidated computation. The cash outlay incurred by P in 1935 did not serve to bring within the group that portion of the group enterprise reflected by the business and assets of B. The assets and the earnings and profits of B will be adjusted accordingly as of 1940 and by reference to the cost of its stock then incurred; those of A will be adjusted as of 1935 and by reference to 1935 costs.

Example (3). Suppose a state of facts similar to that suggested in example (1), but varied to this extent: A had acquired the stock of B with a basis other than cost. Adjustments to be made in the computation of consolidated equity capital, of equity invested capital, and of earnings and profits will be made precisely as in example (1), and for the same reasons, notwithstanding the character of A's stockholding interest in B. P holds the stock of B indirectly with a cost basis determined in character by reference to P's acquisition of the stock of A in 1935.

Example (4). Suppose a state of facts similar to that suggested in example (1), but varied to this extent: A had acquired the stock of B with a basis other than cost, and this acquisition was effected in 1940, instead of 1930, without breaking the affiliation between P and A. The stock of B acquired in 1940 is not to be considered as a part of the enterprise in respect of which P incurred costs in 1935. The higher-level holdings with a cost basis bear no significant relationship to the acquisition and holding by A of the stock of B. The stock of B is not to be considered to be held with a cost basis. No adjustment will be made in computing the earnings and profits of B.

Example (5). Suppose a state of facts similar to that suggested in example (1), but varied to this extent: P's acquisition of the stock of A in 1935 was made with a basis other than cost. B will be regarded for the purpose of the adjustments prescribed in subparagraph (2) (xiii) and (xix) (*e*) of this paragraph (b) as having become "a member of the group" as of 1930, the year in which its stock was acquired by A, regardless of the subsequent acquisition by P of the stock of A. The assets and the earnings and profits of B will be adjusted as of 1930, and by reference to the cost of its stock then incurred.

Example (6). If A had acquired the stock of B with a cost basis at a date subsequent to P's acquisition of the stock of A with a basis other than cost, the adjustment of B's assets and earnings and profits would be made by reference to the later date and by reference to the costs then incurred.

(*b*) The adjustment will be made by reference to the most recent acquisition of the required holdings of the stock of the corporation in the case of a corporation the stock of which was once held by other members of the affiliated group to the extent provided in section 141 (d), was later disposed of in whole or in part, and was subsequently reacquired.

(*c*) The adjustment will be made without regard to any exclusion of the corporation from the affiliated group in intervening years by reason of a loss of the voting control prescribed by section 141 (d) if such loss of voting control was attributable to the fact that stock which did not possess voting power at the time control was originally acquired later became entitled to vote.

(*d*) Except as otherwise provided in (*f*), if stock of the corporation held with a cost basis was acquired from another corporation which had held such stock with a cost basis, and if the cost basis with which such stock is held by the present owner is fixed by reference to the basis of such stock in the hands of such other corporation, the adjustment will be made as if the present owner had acquired such stock as of the date upon which such stock was acquired by such other corporation.

(*e*) If stock of the corporation held with a cost basis was acquired from another corporation in a liquidation subject to the provisions of section 112 (b) (6), or the corresponding provisions of a prior revenue law, and if the stock of the liquidated corporation was held by the acquiring corporation with a cost basis but the stock acquired was held by the liquidated corporation with a basis other than cost, the acquiring corporation shall be deemed to have acquired the stock received in the liquidation as of the date upon which it had acquired the stock of the liquidated corporation.

(*f*) If stock of the corporation held with a cost basis was acquired from another corporation in a liquidation subject to the provisions of section 112 (b) (6), or the corresponding provision of a prior revenue law, and if the stock so acquired was held by the liquidated corporation and the stock of the liquidated corporation was held by the acquiring corporation, both with a cost basis, the acquiring corporation shall be deemed to have acquired the stock received in the liquidation as of the date upon which such stock was acquired by the liquidated corporation, or as of the date upon which the acquiring corporation acquired the stock of the liquidated corporation with respect to which the distribution was made, whichever date was the later.

(*g*) If stock of the corporation held with a cost basis is deemed to be so held by virtue of the fact that the basis of such stock is fixed by reference to the cost basis of other stock in the hands of the present owner, such stock shall be deemed to have been acquired as of the date of acquisition of such other stock.

(*h*) If the basis of the stock of the corporation held by another member of the affiliated group was increased as the result of a statutory merger or consolidation of such corporation with another corporation, or as the result of a transaction having the effect of a statutory merger or consolidation, and if the stock of such other corporation was held by such member of the affiliated group with a cost basis, that portion of such member's stockholding interest in such corporation represented by the increase shall be deemed to have been acquired as of the date upon which such member acquired the stock of such other corporation.

Example. Suppose that P acquired all of the stock of A in 1930 with a basis other than cost in the amount of $10,000; that it acquired for $15,000 in cash in 1935 all of the stock of B; that it caused B to be merged into A in 1936 without the issuance by A of any additional shares of stock; and that the P-A group files a consolidated return for 1951. The $15,000 cost incurred by P in 1935 will be reflected in the increased basis with which P holds the stock of A. P will be deemed to have acquired for cash in 1935 a portion of its stockholding interest in A; the total assets of A for consolidated equity capital purposes will be adjusted accordingly; the earnings and profits of A, to the extent that they reflect the earnings and profits originally accumulated by B, will be adjusted as of 1935; and the earnings and profits of A will be further adjusted with respect to realizations by B and A upon the unrealized appreciation or depreciation in the assets of B as of 1935 reflected in the consolidated invested capital.

(13) *Consolidated computations involving changes in membership*—(i) *Equity capital.* For the purpose of computing the consolidated net new capital addition and the consolidated net capital addition or reduction—

(*a*) If the affiliated group at the beginning of the taxable year includes a corporation which was not a member of the group on the first day of the first excess profits tax taxable year of the group, the consolidated equity capital for such first day shall include such portion of the equity capital of such corporation for such first day as is not attributable to the stock of such corporation held with a cost basis by other members of the group on the day on which such corporation became a member of the group, and the consolidated equity capital shall not include the stock in such corporation held on such first day with a basis other than cost;

(*b*) If the affiliated group at the beginning of the taxable year does not include a corporation which was a member of the group on the first day of the first excess profits tax taxable year of the group, the consolidated equity capital for such first day shall be computed as if such corporation were not a member of the group.

(ii) *Borrowed capital.* The following rules shall apply with respect to borrowed capital:

(*a*) For the purpose of computing the consolidated daily new capital addition or reduction for any day of the taxable year—

(1) If the group includes for such day a corporation which was not a member of the group on the first day of the first excess profits tax taxable year of the group, the borrowed capital for such first day shall include such portion of the borrowed capital of such corporation for such first day as does not consist of indebtedness owed to corporations which are members of the group on such day of the taxable year;

(2) If the group does not include for such day a corporation which was a member of the group on the first day of the first excess profits tax taxable year of the group, the borrowed capital for such first day of the members of the group shall be computed as if such corporation were not a member of the group.

(b) For the purpose of computing the consolidated net capital addition or reduction for any taxable year, if any corporation is a member of the affiliated group for only part of the taxable year, the consolidated daily borrowed capital of the group for the first day of the first excess profits tax taxable year of the group shall be the consolidated daily borrowed capital for such day computed as if such corporation were not a member of the group for such day, increased or decreased, as the case may be, by such portion of the difference between the consolidated daily borrowed capital so computed and the consolidated daily borrowed capital computed as if such corporation were a member of the group for such first day, as the number of days during the taxable year during which such corporation is a member of the group is of the total number of days in the taxable year.

(iii) *Capital addition or reduction.* (a) If a corporation becomes a member of the group after the beginning of the taxable year of the group, proper adjustment shall be made in computing the consolidated adjusted invested capital and the consolidated net new capital addition by reflecting as property paid in to the members of the group in a transaction described in section 438 (e) or as a distribution by such members, as the case may be, on the date such corporation becomes a member of the group, the difference between the adjusted basis of the stock of such corporation held with a basis other than cost immediately after such corporation becomes a member of the group and the portion of the equity capital of such corporation as of the beginning of the taxable year of the group not attributable to stock held with a cost basis immediately after such corporation became a member of the group.

(b) If a member of the group holds during the taxable year stock in a corporation which ceases to be a member of the group during the taxable year, proper adjustment shall be made in computing the consolidated adjusted invested capital and the consolidated net new capital addition by reflecting as property paid in to such member in a transaction described in section 438 (e), or as a distribution by such member, as the case may be, on the date such corporation ceased to be a member of the group, the difference between the adjusted basis of stock held immediately before such corporation ceased to be a member of the group and—

(1) If such corporation was a member of the group at the beginning of the taxable year, an amount equal to the portion of the consolidated equity capital at the beginning of the taxable year attributable to such corporation, or

(2) If such corporation became a member of the group after the beginning of the taxable year, the amount with respect to such corporation deemed paid in to a member of the group during the taxable year for stock or as paid-in surplus or as a contribution to capital,

properly adjusted in either case for capital changes with respect to such corporation occurring during the taxable year and prior to the date on which affiliation is broken.

(iv) *Consolidated increase or decrease in inadmissible assets.* For the purpose of computing the consolidated increase or decrease in inadmissible assets—

(a) In the case of a corporation which became a member of the group after the beginning of the first day of the first excess profits tax taxable year of the group and prior to the beginning of the taxable year, the consolidated original inadmissible assets shall include the inadmissible assets of such corporation on such first day (properly adjusted to reflect the adjusted basis recognized for consolidated equity capital purposes), and shall not include any stock in such corporation held by other members of the group;

(b) If the affiliated group at the beginning of the taxable year does not include a corporation which was a member of the group on the first day of the first excess profits tax taxable year of the group, the consolidated original inadmissible assets for such first day shall be computed as if such corporation were not a member of the group;

(c) In the case of a corporation which is a member of the affiliated group for only part of the taxable year, the consolidated original inadmissible assets—

(1) Shall include such portion of the amount of the adjusted basis of the inadmissible assets of such corporation on the first day of the first excess profits tax taxable year of the group (properly adjusted to reflect the adjusted basis of such assets recognized for consolidated equity capital purposes), and

(2) Shall not include such portion of the adjusted basis of the stock of such corporation held by other members of the group at the beginning of such first day,

as the number of days during the taxable year during which such corporation is a member of the group is of the total number of days in the taxable year.

(v) *Base period capital addition.* For the purpose of computing the consolidated base period capital addition—

(a) If the affiliated group at the beginning of the taxable year includes a corporation which was not a member of the group on the first day of a taxable year for which consolidated yearly base period capital is computed (the first excess profits tax taxable year of the group or either one of the two taxable years preceding such first taxable year)—

(1) The consolidated equity capital shall include with respect to such corporation only such portion of the equity capital of such corporation for such first day as is not attributable to the stock of such corporation held with a cost basis by other members of the group on the day on which such corporation became a member of the group, and the consolidated equity capital shall not include the stock in such corporation held on such first day with a basis other than cost;

(2) The consolidated daily borrowed capital for such first day shall include such portion of the borrowed capital of such corporation for such first day as does not consist of indebtedness owed to other members of the group;

(3) The aggregate of the inadmissible assets of the group for such first day shall include the portion of the inadmissible assets (properly adjusted to reflect the adjusted basis recognized for consolidated equity capital purposes) of such corporation for such first day as does not consist of stock of other members of the group, and shall not include any stock of such corporation held by other members of the group;

(4) The consolidated controlled group indebtedness for such first day shall include the portion of the indebtedness (properly adjusted to reflect the adjusted basis recognized for consolidated equity capital purposes) described in section 435 (f) (4) owed to such corporation on such first day, which does not consist of indebtedness owed by other members of the affiliated group; and

(5) The aggregate of the adjustments for interest on borrowed capital under section 435 (f) (5) shall include such adjustment determined under section 435 (f) (5) for such corporation on such first day, computed without regard to any borrowed capital owed to another member of the group;

(b) If the affiliated group at the beginning of the taxable year does not include a corporation which was a member of the group on the first day of a taxable year for which yearly base period capital is computed, the consolidated equity capital, the consolidated daily borrowed capital, the aggregate of the inadmissible assets, the consolidated controlled group indebtedness, and the aggregate of the adjustments for interest on borrowed capital under section 435 (f) (5) for such first day shall be computed as if such corporation were not a member of the affiliated group; and

(c) If a corporation is a member of the affiliated group for only part of the taxable year, the consolidated equity capital, the consolidated daily borrowed capital, the aggregate of the inadmissible assets, the consolidated controlled group indebtedness, and the aggregate of the adjustments for interest on borrowed capital under section 435 (f) (5) for the first day of each taxable year for which yearly base period capital is computed shall be determined as if such corporation were not a member of the group, and each such item so determined shall be increased or decreased, as the case may be, by an amount which is such portion of the difference between such item so determined and such item determined as if (a) were applicable as the number of

days in the taxable year during which such corporation is a member of the group is of the total number of days in the taxable year.

(vi) *Section 435 (g) (6) inadmissible asset adjustment.* For the purpose of computing the section 435 (g) (6) adjustment for any day—

(a) In the case of a corporation which became a member of the group after the beginning of the first excess profits tax taxable year of the group and prior to such day, the consolidated original inadmissible assets shall include the inadmissible assets of such corporation for such first day (properly adjusted to reflect the adjusted basis recognized for consolidated equity capital purposes), and shall not include any stock in such corporation held by other members of the group; and

(b) If the affiliated group at the beginning of such day does not include a corporation which was a member of the group on the first day of the first excess profits tax taxable year of the group, the consolidated original inadmissible assets for such first day shall be computed as if such corporation were not a member of the group.

(vii) *Stock in member of controlled group.* For the purpose of determining the consolidated section 435 (g) (6) adjustment for any day—

(a) In the case of a corporation which became a member of the affiliated group after the beginning of the first excess profits tax taxable year of the group and prior to such day, the consolidated original controlled group stock—

(1) Shall not include any stock of such corporation held by other members of the affiliated group on the first day of the first excess profits tax taxable year of the group, and

(2) Shall include the aggregate of the adjusted basis (properly adjusted to reflect the adjusted basis recognized for consolidated equity capital purposes) of the stock held by such corporation on such first day which was stock described in section 435 (g) (6) (A) of a member of a controlled group; and

(b) If the affiliated group for such day does not include a corporation which was a member of the group on the first day of the first excess profits tax taxable year of the group, the consolidated original controlled group stock shall not include any amount with respect to stock held by such corporation, and the stock of such corporation held by other members of the affiliated group on such first day shall be taken into account in determining the consolidated original controlled group stock as if such corporation were not a member of the affiliated group.

(viii) *Section 435 (g) (7) adjustment.* For the purpose of computing the consolidated section 435 (g) (7) adjustment for any day—

(a) In the case of a corporation which became a member of the group after the beginning of the first excess profits tax taxable year of the group and prior to such day, the consolidated original controlled group indebtedness shall include the indebtedness described in section 435 (g) (7) owed to such corporation on such first day (properly adjusted to reflect the adjusted basis of such indebtedness recognized for consolidated equity capital purposes), and shall not include any indebtedness described in section 435 (g) (7) owed by such corporation to any other member of the affiliated group; and

(b) If the affiliated group at the beginning of such day does not include a corporation which was a member of the group on the first day of the first excess profits tax taxable year of the group, the consolidated original section 435 (g) (7) indebtedness for such first day shall be computed as if such corporation were not a member of the affiliated group.

(ix) *Additional adjustment.* In computing an amount for which an adjustment is required by reason of the affiliated group including a corporation which was not a member of the group on a prior day or by reason of the group not including a corporation which was a member on a prior day, proper adjustment shall be made for the case in which—

(a) Such corporation was created on or after such prior day, directly or indirectly, by another member of the group in a transaction in which the bases of its assets are determined by reference to the bases of the assets in the hands of the other member of the group, or

(b) Such corporation was absorbed on or after such prior date by a member of the group in a transaction in which the bases of its assets became the bases of such assets in the hands of the transferee.

(14) *Consolidated section 435 (d) average base period net income.* In computing the consolidated section 435 (d) average base period net income, the following rules shall apply:

(i) In no case shall the consolidated section 433 (b) excess profits net income for any month be less than zero; and

(ii) The consolidated section 433 (b) excess profits net income for any month during no part of which any member of the group was in existence shall be zero.

(15) *Eligibility requirements for consolidated section 435 (e) average base period net income.* For the purpose of determining whether an affiliated group may compute its consolidated average base period net income by reference to the consolidated section 435 (e) average base period net income, the following rules shall apply:

(i) The group shall be eligible to use the consolidated section 435 (e) average base period net income computed under paragraph (a) (65) (i), (ii), or (iii) of this section, if at least one member of the affiliated group commenced business before the beginning of the consolidated base period, and if—

(a) The sum of the aggregate of the total assets of the several members of the affiliated group as of the beginning of the first day of the consolidated base period and the aggregate of the total assets as of such first day of any other corporation which was affiliated with a member of the group for the first taxable year of such member ending after June 30, 1950, if such other corporation commenced business prior to such first day, does not exceed $20,000,000; and either

(b) The aggregate of the total payroll (determined under section 435 (e) (4)) for the last half of the consolidated base period of those members of the group which had commenced business before the beginning of the consolidated base period is 130 percent or more of the aggregate of the total payroll of such members for the first half of the consolidated base period; or

(c) The aggregate of the gross receipts (determined under section 435 (e) (5)) for the last half of the consolidated base period of those members of the group which had commenced business before the beginning of the consolidated base period is 150 percent or more of the aggregate of the gross receipts of such members for the first half of the consolidated base period.

(ii) The group shall be eligible to use the consolidated section 435 (e) average base period net income computed under paragraph (a) (65) (i), (ii), or (iii) of this section if at least one member of the group commenced business before the beginning of the consolidated base period, and if—

(a) The aggregate of the net sales for the period beginning January 1, 1950, and ending June 30, 1950, of those members of the group which had commenced business before the beginning of the consolidated base period, equals or exceeds 75 percent of the average of the aggregate of the net sales for the calendar years 1946 and 1947 of such members of the group; and

(b) Forty percent or more of the aggregate of the net sales for the calendar year 1950 of those members of the group which had commenced business before the beginning of the consolidated base period is attributable to a product, or class of products (including any article in which such product or class of products is the principal component and including any article which is a component of such product or class of products), of a kind not generally available to the public at any time prior to January 1, 1946; and

(c) The aggregate of the net sales for the calendar year 1946 of the members described in (b) which is attributable to the product or class of products described in (b) is 5 percent or less of the aggregate of the net sales of such members so attributable for the calendar year 1949.

(iii) The group shall be eligible to use the consolidated section 435 (e) average base period net income computed under paragraph (a) (65) (iv) of this section if it is eligible to use the consolidated section 435 (e) average base period net income computed under paragraph (a) (65) (i), (ii), or (iii) of this section, solely by reason of (ii) of this subparagraph, and if the aggregate of the consolidated section 433 (b) excess profits net income for the 12 months in the calendar year 1949 is not more than 25 percent of the aggregate of the consolidated section 433 (b) excess profits net income for the 12 months in the calendar year 1948, the consolidated section 433 (b) excess profits net income being computed in each instance without regard to any member of the group which com-

menced business after the beginning of the consolidated base period.

(16) *Computations under section 435 (e).* For the purpose of computing the consolidated section 435 (e) average base period net income, and for the purpose of applying subparagraph (15) of this paragraph relating to eligibility requirements, the following rules shall apply:

(i) In computing the consolidated section 433 (b) excess profits net income or the consolidated weighted excess profits net income for any month,—

(*a*) There shall be excluded the excess profits net income, or the deficit in excess profits net income, as the case may be, of any member of the affiliated group which did not commence business before the beginning of the consolidated base period; and

(*b*) There shall be included an amount equal to one-twelfth of the amount which would be determined as the consolidated alternative average base period net income if computed with respect to the excess profits net income determined under section 433 (b), the deficit in excess profits net income determined under section 433 (c) or the average base period net income computed under section 445, as the case may be, of those members of the group only which commenced business after the beginning of the consolidated base period.

(ii) In computing as of the beginning of the consolidated base period, the aggregate of the total assets of the corporations described in subparagraph (15) (i) (A) of this paragraph—

(*a*) There shall be included the cash and property other than cash held by each such corporation for the purpose of the business;

(*b*) Such property shall be included in an amount equal to its adjusted basis for determining gain upon sale or exchange; and

(*c*) There shall be disregarded stock of one such corporation held by another such corporation.

(iii) The consolidated section 435 (e) average base period net income shall not exceed the sum of—

(*a*) If those members of the affiliated group which were members of the group on June 30, 1950, would be eligible to use the consolidated section 435 (e) average base period net income on the basis of a computation limited to those members only, an amount which would be the consolidated section 435 (e) average base period net income or the consolidated section 435 (d) average base period net income, whichever is higher, if computed with respect to the excess profits net income or deficit in excess profits net income of those members only;

(*b*) If those members of the group which were not members of the group on June 30, 1950, but which were affiliated with each other on that day, would be eligible to use the consolidated section 435 (e) average base period net income on the basis of a computation limited to those members only, an amount which would be the consolidated section 435 (e) average base period net income or the consolidated section 435 (d) average base period net income, whichever is the higher, if computed with respect to the excess profits net income or deficit in excess profits net income of those members only;

(*c*) In the case of each member of the affiliated group which was not affiliated with any other member of the group on June 30, 1950, and which would be eligible to use the average base period net income computed under section 435 (e) if a separate return were filed, the average base period net income under section 435 (e) or the average base period net income under section 435 (d), whichever is the higher, computed separately for such member but subject to the rules provided in § 24.31 (b) (2); and

(*d*) In the case of those members of the group which commenced business after the beginning of the consolidated base period, an amount equal to the consolidated alternative average base period net income computed under (i) (*b*) of this subparagraph; and

(*e*) An amount which would be the consolidated section 435 (d) average base period net income if computed without regard to the excess profits net income or deficit in excess profits net income of any member of the group which is described in (*a*), (*b*), or (*c*) above.

(17) *Computation of consolidated alternative average base period net income.* For the purpose of determining the consolidated alternative average base period net income, the following rules shall apply:

(i) In the application of section 442 (c), 442 (d), 443, 444, or 446, in the case of those members of the affiliated group which commenced business before the beginning of the consolidated base period and which were affiliated with each other at the close of the consolidated base period and at all subsequent times involved in the application of such section—

(*a*) Such section shall be applied to all such members as a unit;

(*b*) All computations involved shall be made on the basis of the aggregate of the items separately determined for each such member; and

(*c*) Such section shall be considered applicable to such members only if such application results in a lower excess profits tax on the affiliated group for the taxable year.

Example. In the case of such members, the requirement of section 443 (a) (2) would be met as to all such members if the aggregate of the gross income or net income of such members attributable to new products or services of one or more of such members constitutes, respectively, more than 40 percent of the aggregate of the gross income, or 33 percent of the aggregate of the net income, separately computed for such members.

(ii) Section 442, 443, 444, 445, or 446 shall be considered applicable to any member of the affiliated group other than a member described in (i) only if such section would be applicable to such member if it filed a separate return, and only if the application of such section to such member results in a lower excess profits tax of the group for the taxable year.

(iii) Section 442, 443, 444, 445, or 446 shall not be considered applicable to the members of the group described in (i) or to any member of the group described in (ii) unless a proper application therefor is filed under section 447.

(iv) In the case of a corporation which is a member of the affiliated group for only a part of the taxable year for which the excess profits credit is being computed, and to which section 442, 443, 444, 445, or 446 is applicable, the amount to be included with respect to such corporation in computing the consolidated alternative average base period net income for the purpose of the consolidated excess profits credit for such taxable year shall be limited to an amount which bears the same ratio to the amount which would be included if such corporation were a member of the group throughout the taxable year as the number of days in the taxable year for which the credit is being computed during which it was a member of the group (excluding the day on which it became a member) bears to the total number of days in such taxable year.

(18) *Base period capital addition.* In the computation of the consolidated base period capital addition, the following rules shall apply:

(i) If the consolidated average base period net income is the consolidated alternative average base period net income, the consolidated base period capital addition shall be computed as if the affiliated group did not include those members for which amounts computed under sections 442 (d), 443, 444, 445, or 446 are included in the consolidated alternative average base period net income, or for which a substitute excess profits net income under section 442 (c) is included in the consolidated alternative excess profits net income for any month in the first excess profits tax taxable year of the group or in the two immediately preceding taxable years. The consolidated base period capital addition computed under the preceding sentence shall be increased by an amount equal to the base period capital addition separately computed under section 435 (f) (3) (C) for any member of the group for which a substitute excess profits net income computed under section 442 (c) (1) was included in the consolidated alternative excess profits net income for any month in the second taxable year preceding the first excess profits tax taxable year of the group.

(ii) If the consolidated average base period net income is the consolidated section 435 (e) average base period net income, the consolidated base period capital addition shall be computed as if the affiliated group included only those members which commenced business after the beginning of the consolidated base period, other than any such member for which an amount computed under section 445 is included in the consolidated section 435 (e) average base period net income.

(19) *Net capital addition or reduction in case section 443 or 445 is applicable.* If the consolidated average base period net income is the consolidated alternative average base period net income, the consolidated net capital addition or re-

duction shall be computed as if the affiliated group did not include those members for which amounts computed under section 443 or section 445 are included in computing the consolidated alternative average base period net income. If the consolidated average base period net income is the consolidated section 435 (e) average base period net income, the consolidated net capital addition or reduction shall be computed as if the group did not include those members for which amounts computed under section 445 are included in computing the consolidated section 435 (e) average base period net income. The consolidated net capital addition or reduction so computed in either instance shall be properly increased or decreased, as the case may be, by the net capital addition or reduction separately computed for each such member.

(20) *Computations under section 448.* In the computation of the consolidated section 448 excess profits credit, the consolidated section 448 gross credit, and the consolidated section 448 inadmissible asset adjustment, the following rules shall apply in the case of any member of the affiliated group described in section 448 (c) (1) (A), (c) (1) (B), (c) (2) or (c) (4), the corporate books of account of which are maintained in accordance with systems of accounts prescribed by an appropriate regulatory body or, if not so prescribed, are maintained in accordance with the uniform systems of accounts prescribed by the Federal Power Commission or the National Association of Railway and Utility Commissioners:

(i) The sum specified in paragraph (a) (85) of this section shall be computed without regard to any amount with respect to such member otherwise includible in such computation, and the sum so computed shall be increased or decreased, as the case may be, by an amount equal to—

(*a*) The sum of—

(*1*) The average outstanding common and preferred capital stock accounts for its taxable year plus the capital surplus and earned surplus accounts (or minus any deficits therein) at the beginning of its taxable year as properly recorded on the corporate books of account of such member, and

(2) Its average borrowed capital of such member for the taxable year, minus

(*b*) The average for the taxable year of the amount, as properly recorded on the corporate books of account, of the stock of other members of the group held by such member.

(ii) For the purpose of computing the consolidated section 448 inadmissible asset adjustment, the amounts attributable to the assets of such member shall be determined according to the amounts properly recorded in its corporate books of account.

(iii) In the case of any such member which is a member of the group for only part of the taxable year, the amount referred to in (i) shall be reduced to an amount which is such part thereof as the number of days in the taxable year during which such corporation is a member of the group (excluding the day on which it became a member of the group) is of the total number of days in the taxable year.

(21) *Limitation on separate carry-overs or carry-backs of unused excess profits credit.* In no case shall there be included in the consolidated unused excess profits credit adjustment for the taxable year—

(i) As a consolidated unused excess profits credit carry-over under (a) (88) (ii) of this section, relating to the unused excess profits credit of a corporation for a year for which a separate return was filed or for which such corporation joined in a consolidated return filed by another affiliated group, and

(ii) As a consolidated unused excess profits credit carry-back under (a) (89) (ii) of this section, relating to the unused excess profits credit of a corporation for a year for which a separate return was filed or for which such corporation joined in a consolidated return filed by another affiliated group,

an amount in excess of the portions thereof which could have been availed of by such corporation as unused excess profits credit carry-overs and as a carry-back if a separate return had been filed for such taxable year, but with its net income computed subject to the provisions of subparagraph (1) (i) of paragraph (b) of this section.

(22) *Limitation on consolidated unused excess profits credit in case of liquidation, etc.* If any member of the affiliated group distributes during the taxable year substantially all of its assets in liquidation or completes the conversion of substantially all of its assets into assets not held in good faith for the purpose of the business, appropriate adjustment shall be made in the computation of the consolidated unused excess profits credit for such taxable year in accordance with section 432 (e) upon the basis of the portion of the consolidated unused excess profits credit attributable to such corporation.

(23) *Limitation on absorption of unused excess profits credit carry-overs.* In the computation of the consolidated unused excess profits credit adjustment for the taxable year, if there is involved an unused excess profits credit for a prior year of a corporation filing a separate return for such prior year or joining in a consolidated return for such prior year filed by another affiliated group, together with a consolidated unused excess profits credit, or if there are involved such separate unused excess profits credits of two or more members of the group, no portion of the consolidated adjusted excess profits net income for a consolidated return period of the group intervening between the year of the unused excess profits credit and the taxable year shall be taken into account more than once in giving effect to the provisions of (a) (88) (ii) of this section, relating to the computation of the consolidated unused excess profits credit carry-overs originating in separate return years.

(24) *Qualifications on excess profits credit where group membership changed after March 14, 1941.* In the case of an affiliated group formed at any time subsequent to March 14, 1941, or having among its members one or more subsidiaries which became members of the group subsequent to March 14, 1941, the consolidated excess profits credit for the taxable year shall be determined subject to the following qualifications:

(i) The portion of the consolidated excess profits credit otherwise allowable with respect to the common parent corporation and with respect to any subsidiaries which were members of the group on March 14, 1941, shall not exceed—

(*a*) The portion of the consolidated section 433 (a) excess profits net income for the taxable year attributable to such common parent corporation, in the case of a group formed subsequent to March 14, 1941, or

(*b*) In the case of a group formed prior to March 15, 1941, but having among its members in the taxable year one or more subsidiaries which became members of the group subsequent to March 14, 1941, the aggregate of the portion of the consolidated section 433 (a) excess profits net income for the taxable year attributable to the common parent corporation and to the several subsidiary corporations which were members of the group on March 14, 1941.

(ii) The portion of the consolidated excess profits credit otherwise allowable with respect to a subsidiary corporation which became a member of the group subsequent to March 14, 1941, shall not exceed—

(*a*) The portion of the consolidated section 433 (a) excess profits net income for the taxable year attributable to such subsidiary corporation in the case in which such subsidiary corporation was not on March 14, 1941, a member of an affiliated group within the meaning of section 141, or

(*b*) If such subsidiary corporation was a member of an affiliated group on March 14, 1941, an amount which, together with that portion of the consolidated excess profits credit computed subject to the provisions of these regulations and attributable to other members of the group during the taxable year which were affiliated with such subsidiary corporation on March 14, 1941, within the meaning of section 141, does not exceed the aggregate of the portion of the consolidated section 433 (a) excess profits net income for the taxable year attributable to such subsidiary corporation and to such other members of the group.

(iii) The portion of the consolidated excess profits credit otherwise allowable for the taxable year which is disallowed pursuant to the provisions of (i) and (ii) shall be considered as an unused excess profits credit in respect of those members of the group by reference to which the amount of the credit disallowed under (i) and (ii) was determined, originating, for the purpose of the unused excess profits credit carry-back provisions, in a taxable year subsequent to the last taxable year in respect of which their income was included in a consolidated return, and, for the purpose of the unused excess profits credit carry-over provisions, in a taxable year prior to the first taxable year in respect of

which their income was included in a consolidated return.

(iv) The provisions of subdivisions (i) and (ii) shall not apply with respect to the common parent corporation of an affiliated group formed subsequent to March 14, 1941, or to the common parent corporation or subsidiaries of a group in existence on March 14, 1941, acquiring new members subsequent to March 14, 1941, or with respect to subsidiaries becoming members of the group subsequent to March 14, 1941—

(*a*) If the group consists solely of the common parent corporation and one or more subsidiaries created, directly or indirectly, by the common parent corporation or by other members of the group;

(*b*) If, immediately after the corporation involved became a member of the group, common parent corporation or subsidiary, as the case may be, stock possessing at least 95 percent of the voting power of all classes of its stock then outstanding and at least 95 percent of each class of its nonvoting stock then outstanding is owned, directly or indirectly, by substantially the same interests by which such stock was owned on March 14, 1941;

(*c*) If the affiliated group involved was formed, or the new subsidiary became a member of the group, as an incident to an involuntary conversion or to a transfer made pursuant to an order of the Securities and Exchange Commission, the Federal Communications Commission, the Interstate Commerce Commission, or a similar regulatory body of State or Federal Government; or

(*d*) To the extent to which, upon consideration of the facts or circumstances presented by the particular case, the Commissioner determines that a consolidated excess profits credit computed with respect to the affiliated group but without regard to subdivisions (i) and (ii) will not serve to distort the excess profits tax liability of the group or of any of its members.

(*e*) If, upon consideration of the facts and circumstances presented by the particular case, the Commissioner determines that the general purpose of the provisions of subdivisions (i) and (ii) would be better served in a particular respect by adherence to a date subsequent to March 14, 1941, such subdivisions shall be administered in that respect as if the appropriate date determined by the Commissioner were substituted in such subdivisions in lieu of the date March 14, 1941. Ordinarily, under the preceding sentence, the provisions of subdivisions (i) and (ii) shall not apply with respect to the formation or expansion of an affiliated group occurring after December 31, 1946, and before July 1, 1950.

(25) *Loss to group of investment in an affiliate.* In the case of a loss to one or more members of an affiliated group sustained during the taxable year as the result of the worthlessness of the investment of such members in another affiliate, whether such investment was reflected in the stock, bonds, or open account advances to such other affiliate—

(i) Such losses shall be taken into account in the computation of consolidated net income for the year of the loss in an amount not greater in the aggregate than the excess of the consolidated net income for such year computed without regard to any such loss over that portion of such consolidated net income so computed attributable to such other affiliate; and

(ii) The portion of any such loss otherwise allowable as a deduction for the taxable year which is disallowed pursuant to the provisions of (i) shall be considered as a consolidated net operating loss to be taken into account as a consolidated carry-back to the preceding taxable year and as consolidated carry-overs to succeeding taxable years, but in an amount not greater for any such year than the excess of the consolidated net income for such year, computed without regard to such carry-back or carry-over, as the case may be, over that portion of such consolidated net income so computed for such year attributable to such other affiliate.

(26) *Allocation of unused excess profits credit.* If an affiliated group filing a consolidated return has a consolidated unused excess profits credit for the taxable year, and if there are included as members of such group one or more corporations which made separate returns, or joined in a consolidated return filed by another affiliated group, either for the preceding taxable year or for a succeeding taxable year, the portion of such consolidated unused excess profits credit attributable to such corporations severally shall be determined, such portion in the case of any such corporation being determined in an amount bearing the same ratio to the consolidated unused excess profits credit for the taxable year which the excess, if any, of that portion of the consolidated excess profits credit attributable to such corporation over that portion of the consolidated excess profits net income, if any, attributable to such corporation bears to the aggregate of such excesses in the case of the several affiliated corporations having such excesses for the taxable year.

(27) *Consolidated normal tax net income for excess profits tax purposes.* If there are involved in the computation of the consolidated normal tax net income, computed for normal tax purposes, net operating loss carry-overs, net short-term capital loss carry-overs, bases for determining gain or loss upon a sale or exchange, or other factors, in amounts different from the net operating loss carry-overs, net short-term capital loss carry-overs, bases for determining gain or loss upon a sale or exchange, or such other factors, determined for excess profits tax purposes, the consolidated normal tax net income, computed for the purpose of the excess profits tax, shall be used for excess profits tax purposes in lieu of the consolidated normal tax net income used in the computation of the normal tax.

(c) *Statements and schedules for subsidiaries.* The statement of gross income and deductions and the several schedules required by the instructions on the return must be prepared and filed by the common parent corporation in columnar form so that the details of the items of gross income, deductions, invested capital, and credits, for each member of the affiliated group, may be readily audited. Such statements and schedules shall include in columnar form a reconciliation of surplus for each such corporation, together with a reconciliation of the consolidated surplus. Consolidated balance sheets as of the beginning and close of the taxable year of the group, taken from the books of the members of the group, shall accompany the consolidated return prepared in a form similar to that required for reconciliation of surplus.

(d) *Net operating loss deduction, net operating loss credit, and dividend carry-over before or after consolidated return period.* The consolidated net operating loss (whether computed for the purpose of the deduction or the credit) of an affiliated group, or the unused consolidated basic surtax credit of such group, shall be used in computing the consolidated net operating loss deduction, the consolidated net operating loss credit, or the consolidated dividend carry-over, as the case may be, notwithstanding that one or more corporations, members of the group in the taxable year in which such loss or such unused basic surtax credit originates, make separate returns (or join in a consolidated return made by another affiliated group) for a subsequent taxable year (or, in the case of a carry-back computation, for the preceding taxable year), but only to the extent that such consolidated net operating loss or such unused consolidated basic surtax credit is not attributable to such corporations; and such portion of such consolidated net operating loss or such unused consolidated basic surtax credit as is attributable to the several corporations making separate returns (or joining in a consolidated return made by another affiliated group) for a subsequent taxable year (or, in the case of a carry-back computation, for the preceding taxable year) shall be used by such corporations severally as carry-overs, or as carry-backs, in such separate returns, or in such consolidated returns, of the other affiliated group. Any unused basic surtax credit of a corporation separately produced for a year prior to a taxable year in respect of which its income is included in the consolidated return of the group shall be used in computing the dividend carry-over of such corporation (or the consolidated dividend carry-over of another affiliated group of which it becomes a member) for a subsequent taxable year for which it makes a separate return or joins in a consolidated return of another group, but only to the extent that such unused basic surtax credit was not absorbed in the computation of the consolidated dividends paid credit for the intervening consolidated return period. Any net operating loss separately sustained by a corporation prior to a first taxable year in respect of which its income is included in the consolidated return of the group (or, in the year immediately following a consolidated return year) shall be used in computing the net operating loss deduction of such corporation (or the consolidated net operating loss deduction of another affiliated group of which it becomes a member) for a subsequent taxable year for which it makes a separate return or joins in a consolidated

return of another group, but only to the extent that such net operating loss was not absorbed (either as a carry-over or as a carry-back) in the computation of the consolidated net operating loss deduction for consolidated return periods.

(e) *Unused excess profits credit before or after consolidated return period.* The consolidated unused excess profits credit of an affiliated group shall be used in computing the consolidated unused excess profits credit adjustment notwithstanding that one or more corporations, members of the group in the taxable year in which such unused excess profits credit originates, make separate returns (or join in a consolidated return made by another affiliated group) for a subsequent taxable year (or, in the case of a carry-back computation, for the preceding taxable year), but only to the extent that such consolidated unused excess profits credit is not attributable to such corporations; and such portion of such consolidated unused excess profits credit as is attributable to the several corporations making separate returns (or joining in a consolidated return made by another affiliated group) for a subsequent taxable year (or, in the case of a carry-back computation, for the preceding taxable year) shall be used by such corporations severally as carry-overs, or as carry-backs, in such separate returns, or in such consolidated return of the other affiliated group. Any unused excess profits credit of a corporation for a year prior to a taxable year in respect of which its income is included in the consolidated return of the group (or, for the year immediately following a consolidated return year) shall be used in computing the unused excess profits credit adjustment of such corporation (or the consolidated unused excess profits credit adjustment of another affiliated group of which it becomes a member) for a subsequent taxable year for which it makes a separate return or joins in a consolidated return of another group, but only to the extent that such unused excess profits credit was not absorbed (either as a carry-over or as a carry-back) in the computation of the consolidated unused excess profits credit adjustment for consolidated return periods.

(f) *Taxable year of less than 12 months.* Any period of less than 12 months for which either a separate return or a consolidated return is filed, under the provisions of § 24.13, shall be considered as a taxable year, and the excess profits net income or the consolidated section 433 (a) excess profits net income for such year, as the case may be, shall be placed on an annual basis pursuant to the provisions of section 433 (a) (2).

§ 24.32 *Method of computation of income for period of less than 12 months.* If a corporation, during the taxable year of the group, becomes a member or ceases to be a member of an affiliated group which makes or is required to make a consolidated return for such year, the income of such corporation to be included in the consolidated return shall be computed on the basis of its income as shown by its books if the accounts are so kept that the income for the period during which it is a member of the group can be clearly and accurately determined. If the accounts are not so kept, the income to be included in the consolidated return shall be computed on the basis of that proportion of its income (subject to the elimination of items exempt from taxation and the addition of items not allowable as deductions) for the full period covered by its books which the number of days for which its income is included in the consolidated return bears to the number of days in the full period covered by its books; but, in the discretion of the Commissioner, there may be eliminated before the proration is made items of income or deduction clearly and accurately determined to be attributable to particular periods, and, after the proration is made, such eliminated items will be added to (if items of income) or deducted from (if deductible items) the income determined by proration for the period to which such items are applicable. The credits allowable under sections 13 and 15 of the Code shall be given for the period to which they are properly applicable under the facts in the case.

§ 24.33 *Gain or loss from sale of stock, or bonds or other obligations.* Gain or loss from the sale or other disposition (whether or not during a consolidated return period), by a corporation which during any period of time has been a member of an affiliated group which makes or is required to make a consolidated return, of any share of stock or any bond or other obligation issued or incurred by another corporation which during any part of such period was a member of the same group, shall be determined, and the extent to which such gain or loss shall be recognized and shall be taken into account shall also be determined, in the same manner, to the same extent, and upon the same conditions as though such corporations had never been affiliated (see sections 111 to 115, inclusive, and section 117, and the regulations thereunder), except—

(a) In the case of a disposition (by sale, or in complete or partial liquidation not involving cash in an amount in excess of the adjusted basis of both the stock and the bonds and other indebtedness liquidated, or otherwise) during a consolidated return period to another member of the group (see §§ 24.31 and 24.37);

(b) That the basis for determining the gain or loss, in the case of shares of stock, or in the case of bonds or other obligations, held during any part of a consolidated return period, shall be determined in accordance with §§ 24.34 and 24.35; and

(c) As provided in § 24.36 (imposing certain limitations upon losses otherwise allowable upon sales of stock, or bonds or other obligations).

§ 24.34 *Sale of stock; basis for determining gain or loss*—(a) *Scope of section.* This section prescribes the basis for determining the gain or loss upon any sale or other disposition (hereinafter referred to as "sale") by a corporation which is (or has been) a member of an affiliated group which makes (or has made) a consolidated return for any taxable year, of any share of stock issued by another member of such group (whether issued before or during the period that it was a member of the group and whether issued before, during, or after the taxable year 1929), and held by the selling corporation during any part of a period for which a consolidated return is made or required under these regulations. For the basis in the case of a sale of bonds, see § 24.35.

(b) *Sales made while selling corporation is member of affiliated group.* If the sale is made within a period during which the selling corporation is a member of the affiliated group, whether or not during a consolidated return period, and whether or not, as a result of such sale, the issuing corporation ceases to be a member of the group, the basis shall be determined as follows:

(1) The aggregate bases of all shares of stock of the issuing corporation held by each member of the affiliated group (exclusive of the issuing corporation) immediately prior to the sale, shall be determined separately for each member of the group, and adjusted in accordance with the Code, but without regard to any adjustment under the last sentence of section 113 (a) (11) relating to losses of the issuing corporation sustained by such corporation after it became a member of the group.

(2) From the combined aggregate bases as determined in subparagraph (1) of this paragraph, there shall be deducted the sum of—

(i) All losses of such issuing corporation sustained during taxable years for which consolidated income tax returns were made or were required (whether the taxable year 1929 or any prior or subsequent taxable year) after such corporation became a member of the affiliated group and prior to the sale of the stock to the extent that such losses could not have been availed of by such corporation as net loss or net operating loss in computing its net income for such taxable years if it had made a separate return for each of such years,

(ii) With respect to each of such taxable years for which consolidated returns were made or were required both for income and for excess profits tax purposes, the excess, if any, of all losses of such issuing corporation for such year, properly adjusted in the computation of consolidated excess profits net income or consolidated section 433 (a) excess profits net income, over the amount of such losses for such year computed under subdivision (i) of this subparagraph to the extent that such excess could not have been availed of by such corporation as a net operating loss in computing its excess profits net income for such taxable years if it had made a separate return for each of such years, and

(iii) With respect to each of such taxable years for which consolidated returns were made or were required for excess profits tax purposes only, all losses of such issuing corporation for such year, properly adjusted in the computation of consolidated excess profits net income,

to the extent that such losses could not have been availed of by such corporation as a net operating loss in computing its excess profits net income for such taxable years if it had made a separate excess profits tax return for each of such years,

reduced by any losses of the issuing corporation apportioned under this section to its stock sold or otherwise disposed of in a prior transaction, disregarding any transaction between members of the affiliated group during a consolidated income or excess profits tax return period which did not constitute a partial liquidation of the issuing corporation. For any taxable year in which the group sustained a consolidated loss not availed of in prior or subsequent years as a deduction under net loss or net operating loss provisions, the amount deducted under this subparagraph shall be further reduced by an amount equal to that proportion of such consolidated loss which the loss of the issuing corporation for the year in which such loss was sustained bears to the aggregate losses of the members of the group for such year.

(3) The sum of the aggregate bases of all shares of stock, after making the deduction under subparagraph (2) of this paragraph, shall then be apportioned among the members of the affiliated group which hold stock of the issuing corporation, by allocating to each such member that proportion of the sum of the aggregate bases so reduced which the aggregate basis of the stock in the issuing corporation held by such member bears to the sum of the aggregate bases.

(4) The aggregate basis as determined under subparagraph (3) of this paragraph for each member of the affiliated group shall then be equitably apportioned among the several classes of stock of the issuing corporation held by such member according to the circumstances of the case—ordinarily by allocating to each class of such stock that proportion of the aggregate basis which the basis of each class of such stock held by it at the time of the sale is to the sum of the bases of the several classes of such stock held by it.

(5) The basis of each share of stock of each class held by a member of the affiliated group shall then be determined by dividing the basis apportioned to such class under subparagraph (4) of this paragraph, by the total number of shares of such class held by it.

(c) *Sales after selling corporation has ceased to be member of affiliated group.* If the sale is made after the selling corporation has ceased to be a member of the affiliated group, such basis shall be determined in accordance with paragraph (b) of this section, except that—

(1) The aggregate basis (under paragraph (b) (1) of this section) shall be determined for all shares of the issuing corporation held by each member of the group immediately prior to the time the selling corporation ceased to be a member of the group (rather than immediately prior to the sale);

(2) The reduction (under paragraph (b) (2) of this section) with respect to losses apportioned to stock sold or otherwise disposed of in prior transactions shall be determined without regard to the transaction which terminated the affiliation and all subsequent transactions;

(3) The allocation (under paragraph (b) (3) of this section) shall be made to each member of the group which held stock of the issuing corporation immediately prior to the time the selling corporation ceased to be a member of the group (rather than to the members holding such stock at the time of the sale); and

(4) The basis of each share of stock held by the selling corporation (determined, as above, as of the time the selling corporation ceased to be a member of the group) shall then be adjusted in accordance with the Code (see, particularly, sections 111 to 115, inclusive) in order to determine the basis at the time of the sale.

(d) *Definition of "loss," "consolidated loss," and "net loss" or "net operating loss".* As used in this section, the term "loss" means the excess over the gross income of the issuing corporation of the sum of its allowable deductions (not including any net loss or net operating loss deduction) plus the proportionate part properly attributable to such corporation of the credits relating to interest on certain Government obligations and dividends received allowable in computing consolidated normal-tax net income, the consolidated special class net income, or consolidated net income subject to tax; the term "consolidated loss" means the excess of the sum of the losses, separately computed, over the sum of the normal-tax net income, the special class net income, or the net income subject to tax, separately computed, of the several members of the affiliated group, determined in accordance with the provisions of the Code, or the Revenue Act, and pursuant to the provisions of consolidated returns regulations, applicable to the period; and the term "net loss" or "net operating loss" means the net loss or net operating loss, as the case may be, determined in accordance with the provisions of the Code, or the Revenue Act, and pursuant to the provisions of consolidated returns regulations, applicable to the period.

§ 24.35 *Sale of bonds or other obligations; basis for determining gain or loss.* In the case of a sale or other disposition by a corporation, which is (or has been) a member of an affiliated group which makes (or has made) a consolidated income tax or excess profits tax return for any taxable year, of bonds or other obligations issued or incurred by another member of such group (whether or not issued or incurred while it was a member of the group and whether issued or incurred before, during, or after the taxable year 1929) and held by the selling corporation during any part of a period for which a consolidated return is made or required under these regulations, the basis of each bond or obligation, for determining the gain or loss upon such sale or other disposition, determined in accordance with the Code, but without regard to any adjustment under the last sentence of section 113 (a) (11), shall be decreased (except as otherwise provided in this section) by the excess, if any, of the aggregate of the deductions computed under paragraph (b) (2) or (c) of § 24.34 over the sum of the aggregate bases of the stock of the debtor corporation as computed under paragraph (b) (1) or (c) of § 24.34, as the case may be, held by the members of the group. The adjustment with respect to so much of such deductions as is based upon losses sustained during the taxable year 1929 and subsequent taxable years for which the last day prescribed by law for the filing of the return fell on or before March 1, 1945 (the date on which Treasury Decision 5441 was filed with the Division of the Federal Register), and availed of on consolidated returns filed for such years shall be made only in those cases in which the sales or other disposition of such bonds or other obligations resulted in a loss. See, also, § 24.40, relating to disallowance of loss upon intercompany bad debts.

§ 24.36 *Limitation on allowable losses on sale of stock, or bonds or other obligations*—(a) *General rule.* No loss shall be allowed under § 24.33, § 24.34, or § 24.35 upon the sale or other disposition of stock or bonds or obligations to the extent that such loss is attributable to (1) transfers of assets within the affiliated group (by sale, gift, or otherwise) without consideration or at markedly fictitious values, during the period in which the corporations were affiliated (whether or not a consolidated return was made), or (2) a distribution during a period in which the corporations were affiliated of earnings or profits accumulated prior to the date upon which the distributing corporation became a member of the group.

(b) *Qualification of general rule.* Paragraph (a) of this section shall not be considered as in any way limiting the operation of the provisions of the Code relating to the basis for determining gain or loss upon the sale or other disposition of property (see sections 111 to 115, inclusive), but as being in amplification of and not in substitution for such provisions; subject, however, to this qualification: that to the extent that the transfers of assets referred to in paragraph (a) of this section are taken into account under the terms of the Code in making adjustments in the basis, such transfers will not be taken into account in denying losses under paragraph (a) of this section.

§ 24.37 *Liquidations; recognition of gain or loss*—(a) *During consolidated return period.* (1) Gain or loss shall not be recognized upon a distribution during a consolidated return period, by a member of an affiliated group to another member of such group, in cancellation or redemption of all or any portion of its stock, except—

(i) Where such distribution is in complete liquidation and redemption of all of its stock (whether in one distribution or a series) and of its bonds and other indebtedness, if any, and falls without the provisions of section 112 (b) (6), and is the result of a bona fide termination of

the business and operations of such member of the group, in which case the adjustments specified in §§ 24.34 and 24.35 shall be made, and § 24.36 shall be applicable; or

(ii) Where such a distribution without the provisions of section 112 (b) (6) is one made in cash in an amount in excess of the adjusted basis of the stock, and bonds and other indebtedness, in which case gain shall be recognized to the extent of such excess.

(2) When the business and operations of the liquidated member of the affiliated group are continued by another member of the group, it shall not be considered a bona fide termination of the business and operations of the liquidated member. With respect to the acquisition of its bonds by the issuing company, see § 24.41 (b).

(3) For the purpose of determining whether an affiliated corporation receiving property in a liquidating distribution qualifies under the provisions of section 112 (b) (6) (A), the aggregate amount of the stock of the liquidated corporation owned by the several members of the affiliated group on the date of the adoption of the plan of liquidation and at all times subsequent thereto and prior to the receipt of the property in liquidation shall be considered as owned by the distributee.

(b) *After consolidated return period.* In case any such distribution is made after a consolidated return period, whether in complete or partial liquidation, except a complete liquidation within the provisions of section 112 (b) (6), with respect to stock and with respect to bonds, debentures, notes, certificates, and other indebtedness of the liquidated corporation acquired prior to or during any taxable year subsequent to 1928 for which a consolidated income or excess profits tax return was filed, the adjustments specified in §§ 24.34 and 24.35 shall be made, and § 24.36 will be applicable.

§ 24.38 *Basis of property*—(a) *General rule.* Subject to the provisions of paragraphs (b) and (c) of this section and except as otherwise provided in §§ 24.34 and 24.39, the basis during a consolidated return period for determining the gain or loss from the sale or other disposition of property, or upon which exhaustion, wear and tear, obsolescence, amortization, and depletion are to be allowed, shall be determined and adjusted in the same manner as if the corporations were not affiliated (see sections 111 to 115, inclusive), whether such property was acquired before or during a consolidated return period. Except as otherwise provided in § 24.39, such basis immediately after a consolidated return period (whether the affiliation has been broken or whether the privilege of making a consolidated return is not exercised) shall be the same as immediately prior to the close of such period.

(b) *Intercompany transactions.* The basis prescribed in paragraph (a) of this section shall not be affected by reason of a transfer during a consolidated return period, other than upon liquidation as provided in paragraph (c) of this section (whether by sale, gift, dividend, or otherwise) from a member of the affiliated group to another member of such group.

(c) *Basis after liquidation.* (1) Where property is acquired upon a distribution described in § 24.37 (a) in which gain or loss is recognized to the distributee, the basis of such property shall be its fair market value at date of acquisition.

(2) Where property is acquired upon a distribution in which gain or loss to the distributee is not recognized pursuant to the provisions of section 112 (b) (6), the basis of such property shall be the same as it would be in the hands of the transferor.

(3) Where property is acquired upon a distribution (not a complete liquidation within the provisions of section 112 (b) (6)) in which gain or loss to the distributee is not recognized as provided in § 24.37 (a), the basis of such property shall be the same as the basis (determined in accordance with sections 111 to 115, inclusive, and §§ 24.34 and 24.35) of the stock and the bonds and other obligations exchanged therefor, adjusted for—

(i) The transfer of assets within the affiliated group by the distributing corporation (by sale, gift, or otherwise) without consideration or at markedly fictitious values, during the period for which the corporations were affiliated (whether or not a consolidated return was made);

(ii) Distributions during a period in which the corporations were affiliated of earnings or profits accumulated prior to the date upon which the distributing corporation became a member of the group; and

(iii) Cash received in the distribution.

(4) Where property was acquired upon a distribution in which gain or loss to the distributee was recognized pursuant to the provisions of section 112 (b) (7), or the corresponding provisions of the Revenue Act of 1938, the basis of such property shall be the same as the basis (determined in accordance with sections 111 to 115, inclusive, and § 24.34) of the stock exchange therefor, adjusted for—

(i) The transfer of assets within the affiliated group by the distributing corporation (by sale, gift, or otherwise) without consideration or at markedly fictitious values, during the period for which the corporations were affiliated (whether or not a consolidated return was made);

(ii) Distribution during a consolidated return period of earnings or profits accumulated prior to the date upon which the distributing corporation became a member of the group;

(iii) Cash received in the distribution; and

(iv) The amount of gain recognized to the distributee in the liquidation.

(d) *Basis not affected by acquisition or sale of stock.* Neither the acquisition of stock of a corporation nor its sale or other disposition shall affect the basis of the property of such corporation for determining gain or loss or upon which exhaustion, wear and tear, obsolescence, amortization, and depletion are to be allowed.

§ 24.39 *Inventories*—(a) *Consolidated return for first year of affiliation.* If the income of an affiliated corporation is included in a consolidated return for the period immediately following the date upon which such corporation became a member of the affiliated group, the value of its opening inventory to be used in computing the consolidated net income shall be the proper value of the closing inventory used in computing its net income for the preceding taxable year.

(b) *Consolidated return after separate return by affiliates.* If a corporation which is a member of the affiliated group for the first consolidated return period was a member of the group in the preceding taxable year, the value of its opening inventory to be used in computing the consolidated net income for the first consolidated return period shall be the proper value of the closing inventory used in computing its net income for the preceding taxable year decreased in the amount of profits or increased in the amount of losses reflected in such inventory which arose in transactions between members of the affiliated group and which have not been realized by the group through final transactions with persons other than members of the group.

(c) *Separate returns made after consolidated returns.* If a corporation which was a member of an affiliated group in a consolidated return period makes or is required to make a separate return for the succeeding taxable year, the value of its opening inventory to be used in computing its net income for such succeeding taxable year shall be the proper value of its closing inventory used in computing consolidated net income for the last consolidated return period increased in the amount of profits or decreased in the amount of losses eliminated in the computation of such inventory as profits or losses arising in transactions between members of the affiliated group, but in an amount not exceeding, in the case of profits, either the amount of profits arising from such intercompany transactions reflected in the closing inventory of such corporation for such succeeding taxable year or the amount of such intercompany profits eliminated from its opening inventory for its first consolidated return period pursuant to the provisions of paragraph (b) of this section, and not exceeding, in the case of losses, either the amount of losses arising from intercompany transactions reflected in the closing inventory for such corporation for such succeeding taxable year or the amount of such intercompany losses eliminated from its opening inventory for its first consolidated return period pursuant to the provisions of paragraph (b) of this section.

(d) *Years in consolidated base period, etc.* For each of the years in the consolidated recent loss period, in the consolidated base period, or in any other period involved in the computation of the consolidated average base period net income, proper adjustment with respect to unrealized profits or losses in transactions between members of the affiliated

group (including any component corporation of any such member as defined in section 461) which were affiliated with each other during such year shall be made in the opening and closing inventories of each such affiliated corporation.

§ 24.40 *Bad debts*—(a) *Deduction during consolidated return period.* No deduction shall be allowed during a consolidated return period to any member of the affiliated group on account of worthlessness in whole or in part of any obligation (including accounts receivable, bonds, notes, debts, and claims of whatsoever nature) of any other corporation which was a member of the group as of the last day of the taxable year or which was liquidated by the group during such year, except as a loss resulting from a bona fide termination of the business and operations of such other corporation, whether in liquidation or otherwise, in which case the loss shall be computed subject to the adjustments specified in § 24.35, and the provisions of § 24.36 shall be applicable.

(b) *Limitation of allowance after consolidated return period.* With respect to obligations (including accounts receivable) of a member of an affiliated group acquired in any way by another member of the group prior to or during any taxable year subsequent to 1928 for which a consolidated income or excess profits tax return was filed, the adjustments prescribed with respect to the allowance of losses upon the sale of bonds shall be applicable to the allowance of any bad debt deduction for any period subsequent to the consolidated return period. See § 24.35.

§ 24.41 *Sale and retirement by corporation of its bonds*—(a) *Issued at discount or premium.* If a corporation which during any taxable year has been a member of an affiliated group which makes or is required to make a consolidated return, has issued its bonds at a discount or premium (whether or not during a consolidated return period), deduction will be allowed for the amortization of the discount, and income included for the amortization of the premium, in the same manner, to the same extent, and upon the same conditions as if the corporation had never been affiliated, except that no deduction for amortization of discount shall be allowed, and no income shall be included for amortization of premium, during a period for which a consolidated return is made, on bonds of one member of the group owned by another member of the group.

(b) *Acquisition of bonds by issuing company.* If a corporation which has been a member of an affiliated group which makes or is required to make a consolidated return, acquires its bonds (whether or not from another member of such group and whether or not during a consolidated return period), gain or loss shall be recognized in the same manner, to the same extent, and upon the same conditions as if the corporation had never been affiliated, except that, if such bonds are acquired from another member of the group during a consolidated return period, and in a transaction other than a distribution in a liquidation in which gain or loss to the distributee is recognized pursuant to § 24.37 (a), in determining the gain or loss to the issuing company from such acquisition, the basis thereof to such other member of the group shall be deemed the purchase price.

§ 24.42 *Capital loss limitations and carry-over.* (a) The provisions of sections 23 (g) and (k), 117 (d), (e), and (j), 122 (d), and 204 (c) (5), with respect to gains and losses from sales or exchanges of capital assets shall be applied, in respect of such gains and losses sustained during a consolidated return period as if the affiliated group were the taxpayer.

(b With respect to a net capital loss sustained by a corporation in a taxable year prior to the first consolidated return period in respect of which its income is included in a consolidated return, such loss (in an amount not in excess of the net capital gain of such corporation for succeeding consolidated return periods) shall, for the purposes of section 117 (e), relating to net capital loss carry-overs, be treated as if such net capital loss had been sustained by the affiliated group.

(c) A consolidated net capital loss of an affiliated group for a consolidated return period shall be considered as a consolidated short-term capital loss in subsequent consolidated return periods notwithstanding that one or more corporations, members of the group in the taxable year in which such loss was sustained, make separate returns for subsequent taxable years (or join in a consolidated return made by another affiliated group), but only to the extent that such consolidated net capital loss is not attributable to such corporations; and such portion of such consolidated net capital loss as is attributable to the several corporations making separate returns (or joining in a consolidated return made by another affiliated group) for a subsequent taxable year shall be considered as a short-term capital loss in such separate returns, or in such consolidated return of the other affiliated group, but only to the extent that such portion of such consolidated net capital loss was not absorbed in intervening taxable years by net capital gains, consolidated or separate, as the case may be. Any net capital loss sustained by a corporation prior to the first taxable year in respect of which its income is included in the consolidated return shall be considered as a short-term capital loss in the separate return of such corporation (or the consolidated return of another affiliated group of which it becomes a member) for a subsequent taxable year for which it makes a separate return or joins in a consolidated return of another group, but only to the extent that such net capital loss was not absorbed in intervening taxable years by net capital gains, consolidated or separate, as the case may be.

§ 24.43 *Credit for foreign taxes.* The credit allowed to an affiliated group for taxes paid or accrued during the consolidated return period to any foreign country or to any possession of the United States (under section 131) shall be computed and allowed as if the affiliated group were the taxpayer, and as if the aggregate taxes paid by the several members of the group and the credits allowed with respect to such payments were payments made by and credits allowed to the group.

§ 24.44 *Methods of accounting*—(a) *In general.* All members of the affiliated group shall adopt that method of accounting which clearly reflects the consolidated net income. A method of accounting which does not treat with reasonable consistency all items of gross income and deductions of the various members of the group shall not be regarded as clearly reflecting the consolidated net income. For example, one member of the group will not be permitted to report items of income or deductions on the cash method of accounting, while another member of the same group reports the same or similar items on the accrual method. The provisions of this paragraph are subject to the exceptions stated in paragraph (b) of this section.

(b) *Combination of methods.* If the members of an affiliated group have established different methods of accounting, each member may retain such method with the consent of the Commissioner, provided that the consolidated net income and the consolidated section 433 (a) excess profits net income are clearly reflected: *And provided further,* That intercompany transactions affecting such consolidated items shall be eliminated, and adjustments on account of such transactions shall be made with reference to a uniform method of accounting to be selected by the members of the group with the consent of the Commissioner.

(c) *Change to accrual method.* In the case of a corporation which previously has reported its income (whether in a separate or a consolidated return) in accordance with a method other than the accrual method and is required under this section to report its income for the taxable year under the accrual method, items of income which accrued prior to the taxable year but were properly omitted in the determination of net income under the method of accounting formerly followed shall be included in the income for the taxable year of the change in accounting method, and items of income which were properly included in the determination of net income under the method of accounting formerly followed shall not be included in the income for the taxable year of the change or any subsequent year. In such a case, deductions which accrued prior to the taxable year but which were properly omitted in the determination of net income under the method of accounting formerly followed shall be allowed for the taxable year of the change in accounting method, and deductions which were properly included in the determination of net income under the method of accounting formerly followed shall not be allowed in the determination of net income for the taxable year of the change or any subsequent year.

In pursuance of the Internal Revenue Code, the foregoing regulations are hereby prescribed.

[SEAL] GEO. J. SCHOENEMAN,
Commissioner of Internal Revenue.

Approved: June 27, 1951.

THOMAS J. LYNCH,
Acting Secretary of the Treasury.

[F. R. Doc. 51-7499; Filed, June 28, 1951; 8:49 a. m.]

TITLE 32A—NATIONAL DEFENSE, APPENDIX

Chapter III—Office of Price Stabilization, Economic Stabilization Agency

[Ceiling Price Regulation 22, Amendment 14]

CPR 22—MANUFACTURERS' GENERAL CEILING PRICE REGULATION

LEATHER CUT STOCK

Pursuant to the Defense Production Act of 1950 (Pub. Law 774, 81st Cong.), Executive Order 10161 (15 F. R. 6105), and Economic Stabilization Agency General Order No. 2 (16 F. R. 738), this Amendment 14 to Ceiling Price Regulation 22 is hereby issued.

STATEMENT OF CONSIDERATIONS

This amendment adds leather cut stock to the list of commodities to which Ceiling Price Regulation 22 does not apply.

Leather cut stock consists of all items cut from tanned hides and skins. Included are outer soles, welting, counters, box toes, inner soles, lining, heel lifts, midsoles, and other such products. Most leather cut stock is used in the fabrication of shoes, although the business of manufacturing these items is conducted primarily as a separate enterprise. However, a good share of the production of welting and of outer and inner soles is by shoe manufacturers who either do their own tanning or purchase tanned hides for this use.

Depending upon their grade and quality, leather bends, bellies, shoulders and heads can be used to make the same or similar items of cut stock. The cost of these various leather parts will vary, however. As a further complicating factor entering into the pricing of these commodities, there are many varieties of most cut stock items. Cut sole varieties, for example, aggregate several hundred items, all or most of which may be produced by one manufacturer.

Already the experience of leather stock cutters who have attempted to price under CPR 22 shows that distortions of prices will result in many cases. The many varieties of leather that may be used and the great number of cut products that may be derived will often cause unrealistic prices when CPR 22 formulas are applied. Frequently, ceiling prices so determined would be unjustifiably above the present general level of prices in this industry. These distorted and high cut stock prices would be passed on to shoe manufacturers and eventually would be reflected in their ceiling prices, which are now established by CPR 41—Shoe Manufacturers' Regulation.

Ceiling prices for tanned and finished leather are still fixed by the General Ceiling Price Regulation, pending issuance of a tailored regulation. Such prices, of course, largely determine the price of leather cut stock. In view of this and of the complications and distortions which result from the application of CPR 22, as above noted, it has been concluded that leather cut stock should also remain under the General Ceiling Price Regulation pending issuance of a tailored leather regulation.

AMENDATORY PROVISIONS

Ceiling Price Regulation 22 is amended so that paragraph (o) of Appendix A reads as follows:

(o) Leather, tanned and finished, and leather cut stock.

(Sec. 704, Pub. Law 774, 81st Cong.)

Effective date. This amendment shall become effective June 28, 1951.

MICHAEL V. DISALLE,
Director of Price Stabilization.

JUNE 28, 1951.

[F. R. Doc. 51-7580; Filed, June 28, 1951; 10:52 a. m.]

[Ceiling Price Regulation 22, Supplementary Regulation 8]

CPR 22—MANUFACTURERS' GENERAL CEILING PRICE REGULATION

SR 8—METHOD FOR DETERMINING CEILING PRICES FOR CERTAIN RUBBER PRODUCTS

Pursuant to the Defense Production Act of 1950 (Pub. Law 774, 81st Congress) Executive Order 10161 (15 F. R. 6105), and Economic Stabilization Agency General Order No. 2 (16 F. R. 738), this Supplementary Regulation to Ceiling Price Regulation 22 is hereby issued.

STATEMENT OF CONSIDERATIONS

When CPR 22 was issued on April 25, 1951, it was pointed out in the Statement of Considerations that:

"Even in the administration of this regulation, supplementary regulations may be issued for particular industries so as to promote the objectives of the price stabilization program. For example, in appropriate cases it may be possible to announce a general labor cost increase factor, or a materials cost increase factor, or both, for application by an entire industry, or to specify a particular base period for the industry. These and similar techniques will permit the achievement of much of the goal of a uniform industry regulation even before the entire tailored regulation is ready for issuance. They will also afford a means of rectifying any wide disparities between the ceiling prices established for competing sellers of the same or similar commodities."

It was further provided in section 42 of CPR 22 that "The Director of Price Stabilization may issue supplementary regulations modifying or implementing this regulation as he deems appropriate."

This supplementary regulation is just such a regulation in that it provides that ceiling prices for each manufacturer of certain listed rubber products shall be his prices during a specified base period, adjusted by a specified industry-wide cost adjustment factor which takes into account certain changes in both materials and labor costs since the base period, and which has been calculated by the methods provided in CPR 22. In the cases of certain kinds of commodities the GCPR ceiling prices rather than the base period prices are multiplied by factors adjusted in accordance with the principles of SR 2 to CPR 22, to arrive at the new ceiling prices. These industry-wide price adjustments are not only consistent with the provisions of CPR 22 and its Statement of Considerations, but they have been adopted for a number of specific reasons. A large majority of rubber products are normally sold at standard list prices, less discounts. Under normal market conditions, a certain balance or equilibrium exists between competitors' prices. Some companies sell at a premium above average and others at lower levels. Such differences compensate for advantages enjoyed or lacked by individual competitors with respect to public acceptance of brands, service, quality of product, method of selling and other factors. Tires and tubes, rubber footwear, many mechanical goods such as belts and hose, heels and soles, rubber drug sundries, reclaimed rubber and other items follow this pricing pattern. This pricing method is not new, but has been developed in these industries over a period of many years. If all manufacturers adjust their prices, which had certain well established competitive relationships in the base period, by the same factor, their new ceilings will maintain that same normal relationship. Individual price adjustments based on individual calculations would tend to destroy or impair the established pattern. This pricing action thus continues the past pricing practices of these industries, in accordance with the tenor of Section 402g of the Defense Production Act of 1950.

Furthermore, the clarity of pricing resulting from the application of uniform increase factors will contribute to compliance and enforcement. In addition, this technique minimizes for many small companies the burden of compiling individual cost increase factors as required by CPR 22.

To arrive at the ceiling prices provided by this supplementary regulation, OPS made four important types of determinations:

Determination 1—The exact grouping of commodities to which any specific base period and adjustment factor would apply.

Determination 2—The selection for each grouping of the most representative of the four base periods permitted by CPR 22.

Determination 3—The calculation of cost increase factors for the groupings to reflect weighted average changes in cost from the base period to the cutoff date.

Determination 4—Whether to apply SR 2 to CPR 22 to the prices resulting from the above determination.

OPS made the first two determinations after receiving the advice and recommendations of the various rubber Industry Advisory Committees, with particular attention given to the specific differences of the various segments of the rubber industry. Then, with a view to making the third and fourth determinations, the manufacturers of rubber commodities were sent either OPS Public Form 15 or 16, depending on whether Method 2 or 4 under CPR 22 was found to be more suited in determining the materials cost adjustment for that group of commodities. These Forms 15 and 16 call for the same information as is required by OPS Public Form 8, and accordingly, manufacturers subject to this supplementary regulation are not required to file Form 8. Also, since all Forms 15 and 16 are received and analyzed by OPS before a uniform cost adjustment factor is approved and made effective under this regulation, there is no need for a 15 day waiting period such as is required by CPR 22 in cases where new ceiling prices exceed GCPR ceiling prices.

The uniform cost increase factors were generally calculated on the basis of information submitted by at least 50 percent of the subject manufacturers by number who represented at least 70 percent of the production of the commodities in each group. The figures were weighed according to 1950 net sales, or physical units, consideration being given both to the median and the weighted-mean increase. Where, after consultation with and on the recommendation of the Industry Advisory Committee, it was felt that there would be less disruption of the pricing structure by applying equivalent factors to GCPR prices, instead of the original factors to base period prices, the principles of SR 2 were applied.

As respects rubber footwear, reports were received from 11 of the 16 rubber footwear manufacturers in the U. S. representing over 90 percent of the waterproof rubber footwear and over 80 percent of fabric upper, rubber soled footwear, by volume of production. The weighted average cost increase factor for waterproof rubber footwear was found to be 23.43 percent and the median was 22.0 percent.

The cost adjustment factor of 1.22 based on the median cost increase was divided by 1.1884, the weighted average price increase between the pre-Korea base period and the GCPR base period, to give a price adjustment factor of 1.0266 as applied to GCPR prices. Although the cost adjustments and price increases were slightly different for fabric upper, rubber soled footwear, vulcanized as a unit, the price adjustment factor was almost identical, 1.0268. The IAC, however, unanimously recommended that the present GCPR prices be retained, i. e., that the factors 1.0266 and 1.0268 be reduced to 1.00, but without waiving any rights to claim full consideration of all ceiling price increases over the general GCPR price level to which they are entitled in any subsequent recalculation of their ceiling prices. In making this recommendation the IAC pointed out that the rubber footwear industry does not customarily issue new price lists where the average change is but 2 or 3 per cent from the existing list, nor are prices ordinarily changed at this time of year for such footwear. The retention of GCPR price levels under these circumstances would therefore be both in keeping with usual practices of this industry and consistent with the principles of CPR 22. Furthermore, holding the line at the GCPR level was done in view of the lower world market price of crude rubber which will be reflected to the manufacturers in the third quarter of 1951, according to an announcement made by GSA on June 21, 1951.

As respects heels and soles, calculations were made for five groups of commodities on the basis of 27 company returns, representing about 90 per cent of the production of approximately 40 producers. Increased allocations of high cost crude rubber by NPA in May, 1951 and the temporary shortage of synthetic rubber helped to contribute to a price adjustment ratio which was higher for rubber heels and soles than those calculated for rubber footwear and which was deemed to be but temporary. The ratios for high-styrene heels and soles were just over 1.00. The IAC unanimously agreed to follow the pattern established for the rubber footwear industry of accepting GCPR ceilings but not waiving any rights in subsequent recalculations to full consideration of their higher price adjustment ratios.

As respects rubber sundries, eight groups of commodities were established, six of which were adjusted to the GCPR level. Reports were filed by 21 firms producing over four-fifths of all such products. Again the industry advisory committee recommended that GCPR ceilings not be increased because the ratios above 1.00 were very small, because this was not the season to change prices, and because of the possible decline in the cost of natural rubber. In the case of rubber bands the industry average cost adjustment over pre-Korea prices amounted to 41.5 per cent. This, however, will, on the average, result in a roll back of GCPR prices by over ten per cent to the level in effect in August, 1950. In the case of erasers, on the other hand, with an industry average cost adjustment of only 9 per cent, present ceiling prices will be rolled forward since manufacturers, except on a few items, did not raise prices from pre-Korea to the GCPR base period.

As all calculations have been made by the individual rubber companies in accordance with the provisions of CPR 22 and its Supplementary Regulation No. 2, and as all calculations by the OPS are based on these company figures and are weighted by actual dollar sales or physical units of production, the ceiling prices established by this Supplementary Regulation are in line with the ceiling prices established by CPR 22.

In the judgment of the Director of Price Stabilization, the ceiling prices established by this supplementary regulation are generally fair and equitable and are necessary to effectuate the purposes of Title IV of the Defense Production Act of 1950. So far as practicable the Director of Price Stabilization gave due consideration to the national effort to achieve maximum production in furtherance of the Defense Production Act of 1950, and to relevant factors of general applicability.

REGULATORY PROVISIONS

Sec.
1. What this regulation does.
2. How you figure your ceiling prices.
3. Reports.
4. Price Adjustment Table.

AUTHORITY: Sections 1 to 4 issued under sec. 704, Pub. Law 774, 81st Cong. Interpret or apply Title IV, Pub. Law 774, 81st Cong., E. O. 10161, Sept. 9, 1950, 15 F. R. 6105; 3 CFR, 1950 Supp.

SECTION 1. *What this regulation does.* This supplementary regulation provides a method of computing ceiling prices for manufacturers of certain kinds of rubber products listed in section 4 of this supplementary regulation, by the application of either a specified cost increase factor to the prices in effect in one of the four specified base periods under Ceiling Price Regulation 22, or a specified factor adjusted in accordance with Supplementary Regulation 2 to Ceiling Price Regulation 22 to ceiling prices in effect under the General Ceiling Price Regulation. If you are a manufacturer of any rubber product listed in section 4 of this supplementary regulation, you must compute your ceiling prices for such product under this supplementary regulation instead of under Ceiling Price Regulation 22. This supplementary regulation does not apply to rubber products normally produced and supplied only for military use. All provisions of Ceiling Price Regulation 22, not inconsistent with this supplementary regulation, however, will continue to apply.

SEC. 2. *How you figure your ceiling prices.* Notwithstanding the provisions of Ceiling Price Regulation 22, if you are a manufacturer of rubber products of the kinds listed in section 4, except those normally produced and supplied only for military use, you shall determine your ceiling prices for such products as follows:

For each such product, you find the highest price you charged your largest buying class of purchaser during the "factor base period" specified in section 4 for that kind of rubber product, and multiply that price by the "factor" shown in section 4 for that kind of product.

You then determine your ceiling prices to your other classes of purchasers by applying your customary differentials last in effect before the end of the "original base period" specified in section 4 to the ceiling prices determined above for your largest buying class of purchaser. You must maintain conditions of sale which are at least as favorable to each class of purchaser as those you customarily had in effect during the "original base period."

If, for example, you use a price list with discounts from that list to your various classes of purchasers, and if your factor base period and your original base period are the same, or if your discounts and differentials to each of your classes of purchasers were the same in both

periods, you multiply your price list and the net prices to each class of purchasers in the factor base period by the factor shown in the table in section 4. However, in other cases, you recalculate your new list and net prices in the following manner:

For each such product you first find the highest net price you charged your largest buying class of purchaser during the "factor base period" specified in section 4 for that kind of rubber product and multiply that net price by the factor shown in section 4 for that kind of product. This will give you your new net ceiling price to your largest buying class of purchaser. You then determine your new list price by applying to your new net ceiling price to your largest buying class of purchaser the percentage markup which your "original base period" list price bore to your "original base period" net price to your largest buying class of purchaser. You then determine your new net ceiling prices to your other classes of purchasers by applying to your new list price your customary discounts given to each such class of purchaser during the "original base period."

SEC. 3. *Reports.* (a) As to commodities subject to this supplementary regulation, you need not file Form 8 and you are not subject to the 15 day waiting period prescribed in sections 46 (b) and 48 (c) of Ceiling Price Regulation 22.

(b) Before accepting payment for any sale of products subject to this supplementary regulation, you must file with the Rubber Branch of the Office of Price Stabilization, Washington 25, D. C., a complete list of your ceiling prices and discounts under this supplementary regulation, which list may be a printed price list. However, if you have already filed any of your ceiling prices and discounts with the Office of Price Stabilization, and this supplementary regulation does not change them, then as to such prices and discounts, you need only file a statement that the information required by this section has already been furnished, giving the date when such information was filed.

SEC. 4. *Price adjustment table.* The following factors are applicable only to those kinds of rubber products which are listed except those normally produced and supplied only for military use.

Kind of rubber product [1]	Factor base period	Factor [2]	Original base period
Rubber footwear vulcanized as a unit	Dec. 19, 1950, to Jan. 25, 1951.	1.00	Oct. 1, 1949, to Dec. 31, 1949.
Fabric upper, rubber-soled footwear, vulcanized as a unit	do	1.00	Do.
High styrene heels, soles, slabs, sheets sold in the shoe-factory trade.	do	1.00	Apr. 1, 1950, to June 24, 1950.
Rubber heels, soles, slabs, sheets sold in the shoe-factory trade.	do	1.00	Do.
High styrene heels, soles, slabs, sheets sold in the shoe-repair trade.	do	1.00	Do.
Rubber heels sold in the shoe-repair trade	do	1.00	Do.
Rubber soles, slabs, sheets sold in the shoe-repair trade	do	1.00	Do.
Rubber stationers' bands	Apr. 1, 1950, to June 24, 1950.	1.415	Do.
Rubber erasers	do	1.104	Do.
Molded rubber drug sundries [3]	Dec. 19, 1950, to Jan. 25, 1951.	1.00	Oct. 1, 1949, to Dec. 31, 1949.
Hand-made rubber drug sundries	do	1.00	Do.
Dipped rubber drug sundries and gloves except rubberized fabric and surgeons' gloves. [3] [4]	do	1.00	Do.
Dipped rubber surgeons' gloves	do	1.00	Do.
Dipped rubberized fabric gloves	do	1.00	Do.
Rubber bathing caps, including molded, hand made, machine made, but not dipped.	do	1.00	Do.

[1] Rubber means only natural, synthetic, and reclaimed rubber, unless otherwise specified.
[2] In the case of rubber bands or other rubber products, if instead of increasing your base period prices, you choose to decrease the quantity of your base period package pursuant to section 31 of CPR 22, then you divide the base period quantity by the applicable factor here to obtain the minimum quantity package permitted.
[3] Except nipples, pessaries and prophylactics.
[4] A manufacturer of dipped natural-rubber latex drug sundries and gloves, except rubberized fabric and surgeons' gloves, may elect to apply the stated factor of 1.00 to his prices in effect during the factor base period specified, or to apply the factor 1.09 to his prices in effect during the original base period specified.

Effective date. The effective date of this supplementary regulation is July 2, 1951.

NOTE: The reporting requirements of this regulation have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

MICHAEL V. DISALLE,
Director of Price Stabilization.

JUNE 28, 1951.

[F. R. Doc. 51-7585; Filed, June 28, 1951; 4:01 p. m.]

[Ceiling Price Regulation 22, Supplementary Regulation 9]

CPR 22—MANUFACTURERS' GENERAL CEILING PRICE REGULATION

SR 9—RETURNABLE CONTAINER COST ADJUSTMENTS

Pursuant to the Defense Production Act of 1950 (Pub. Law 774, 81st Cong.), Executive Order 10161 (15 F. R. 6105), and Economic Stabilization Agency General Order No. 2 (16 F. R. 738), this Supplementary Regulation 9 to Ceiling Price Regulation 22 is hereby issued.

STATEMENT OF CONSIDERATIONS

Under section 10 of CPR 22, manufacturing material, for which a manufacturer may calculate changes in cost, is defined to include packaging material and containers other than returnable containers. Accordingly, manufacturers who in the base period and now sell on a returnable container basis may not include in their cost adjustments increased cost in connection with the use of returnable containers.

Returnable containers were not included in the term "manufacturing material" because it was thought that it would not be possible objectively to determine increased cost with respect to such containers in the same way as increased cost for non-returnable containers can be computed. It is recognized however, that the cost incident to the use of returnable containers is in the same category as cost of non-returnable containers and should be recognized to the same extent insofar as practicable. Accordingly, after consultation with various representatives of manufacturers who normally sell their products on a returnable container basis, a method for calculating increases between the base period and December 31, 1950 or March 15, 1951, as the case might be, in the cost of returnable containers has been devised which is incorporated in this supplementary regulation. This provision will put a manufacturer selling on a returnable container basis in substantially the same position insofar as CPR 22 is concerned as the manufacturer who sells on a non-returnable basis. The returnable container cost adjustment may be calculated and added to base period prices without the necessity of recomputing the other cost adjustment factors, so that manufacturers who have already made their calculations in whole or in part under CPR 22 will not be required to go over that work again in order to take advantage of this provision.

The manufacturer will calculate his returnable container cost adjustment as follows: He will first find the change, between the end of his base period and December 31, 1950, or March 15, 1951, as the case may be in the cost to him of a new container of the kind involved. He will then find the last factor which he was using in his base period cost records as representing the average number of trips of a container of that type and multiply this number by the number of units of the commodity being priced that is customarily packed in such container. The increase in the cost of a new container is then divided by this resulting figure which gives the manufacturer his returnable container cost adjustment per unit of the commodity being priced, which he may add to his ceiling price under section 3 of CPR 22 for sales in returnable containers of that type.

REGULATORY PROVISIONS

Sec.
1. Applicability of this regulation.
2. Calculation of returnable container cost adjustment.
3. Cost based on normal buying practices.

AUTHORITY: Sections 1 to 3 issued under sec. 704, Pub. Law 774, 81st Cong. Interpret or apply Title IV, Pub. Law 774, 81st Cong., E. O. 10161, Sept. 9, 1950, 15 F. R. 6105; 3 CFR, 1950 Supp.

SECTION 1. *Applicability of this regulation.* This regulation applies to you if, during your base period under CPR 22, you customarily sold products on a returnable container basis. Under this regulation, you may compute a returnable container cost adjustment which you may add to your ceiling price for sales in returnable containers as determined under section 3 of CPR 22.

SEC. 2. *Calculation of returnable container cost adjustment.* To calculate your returnable container cost adjustment, you do the following:

(a) Under section 3 of CPR 22, determine your ceiling price per unit of the commodity involved for sales in the returnable containers.

(b) Find the increase in net cost to you of a new container of the kind involved between the end of your base period and December 31, 1950, using the methods outlined in section 18 of CPR 22. If, however, the container involved is one of the commodities named in paragraph (b) and subsequent paragraphs in Appendix A of CPR 22, you may compute the increase in cost of such container up to March 15, 1951.

(c) Find the last factor which you were using in your base period cost records as representing the average number of trips your experience had indicated could be expected from returnable containers of the type involved, and multiply this number by the number of units of the product being priced that is customarily packed in such container.

(d) Divide the cost increase determined under paragraph (b) of this section by the resultant figure obtained under paragraph (c) of this section. The resulting amount is your returnable container cost adjustment per unit of the product being priced, which may be added to your ceiling price under section 3 of CPR 22 for sales in returnable containers of that type. You may not, however, use this section to add a returnable container cost adjustment to your ceiling prices after August 1, 1951.

Example: Under section 3 of CPR 22, you have computed a ceiling price of 60 cents per gallon of product A in returnable 55 gallon drums. Using the provisions of section 18 of CPR 22, you compute your net cost of a new drum to be $6.00 at the end of your base period and $8.00 on December 31, 1950. Your base period cost records used an experience cost factor of 15 as representing the average number of trips per drum and your normal loading of a 55 gallon drum was 54 gallons. You multiply 15 by 54, the number of gallons per drum, obtaining 810. You then divide the increase in the cost of a new drum, $2.00, by 810, thus obtaining $.00246 as the increase per gallon per trip in the cost of returnable containers. This is added to your ceiling price of 60 cents per gallon for sales in returnable containers. You may round this price so that it is expressed in the nearest fraction of a cent you normally employ, but only as permitted by section 25 of CPR 22.

SEC. 3. *Costs based on normal buying practices.* In making the computations in section 2 of this supplementary regulation, you must disregard any costs based upon a departure from your normal buying practices, such as a change in your source of supply from a manufacturer to a reseller or warehouseman, or from a domestic to a foreign source, or other departures from normal buying practices prohibited by section 18 of CPR 22.

Effective date. This supplementary regulation is effective July 2, 1951.

MICHAEL V. DISALLE,
Director,
Office of Price Stabilization.

JUNE 28, 1951.

[F. R. Doc. 51-7581; Filed, June 28, 1951; 10:52 a. m.]

[Ceiling Price Regulation 22, Supplementary Regulation 10]

CPR 22—MANUFACTURERS' GENERAL CEILING PRICE REGULATION

SR 10—POSTPONEMENT OF PRICE CALCULATIONS FOR CERTAIN RUBBER PRODUCTS

Pursuant to the Defense Production Act of 1950 (Pub. Law 774, 81st Congress) Executive Order 10161 (15 F. R. 6105) and Economic Stabilization Agency General Order No. 2 (16 F. R. 738) this supplementary regulation to Ceiling Price Regulation 22 is hereby issued.

STATEMENT OF CONSIDERATIONS

By the terms of CPR 22, as amended, manufacturers calculate their ceiling prices by adding certain cost adjustments to their pre-Korea prices to arrive at a new ceiling price. It was intended that such ceiling price determinations be made on or before July 2, 1951. This supplementary regulation is to defer such price determinations for specified rubber products.

Certain mechanical rubber goods. This supplementary regulation permits manufacturers of certain molded, extruded and cut mechanical rubber goods to postpone, for a limited time, their ceiling price calculations under CPR 22 for any such item whose sales value during the second calendar quarter of 1951 amounted to less than $10,000.

The molded, extruded and cut goods branch of the mechanical rubber goods industry is composed of some 900 to 1,100 manufacturers each of whom makes hundreds or thousands of small parts for autos, appliances and machines. These items are sold on a specification, bid basis rather than as standard list price goods. Many of the smaller firms have limited accounting records. Several industry advisory committee and informal trade meetings have been held in an effort to devise ways and means of having members of this industry adapt their prices to CPR 22. As a result, OPS decided upon the following action:

1. Some important product lines made to a common specification by several manufacturers will have industry-wide cost adjustment factors prescribed by OPS before July 2, 1951 for use under a supplementary regulation to CPR 22. These lines are therefore excluded from this supplementary regulation.

2. Instructions have been issued under methods 3 or 4 of CPR 22 governing choice of products for grouping in product lines or categories which will enable some manufacturers to calculate their ceiling prices under CPR 22 for certain other lines with greater ease.

3. The balance of the products in this branch of the mechanical rubber goods industry may be divided into two categories: Miscellaneous items having relatively little sales value and miscellaneous items with relatively high sales value. Under this supplementary regulation, the relatively unimportant miscellaneous items will not have to be priced under CPR 22, pending the issuance of an easier price determining method which OPS is now formulating. For the purposes of this regulation, if a manufacturer's sales of an item were less than $10,000 in the second calendar quarter of 1951, it is presumed that the item is relatively unimportant.

These relatively unimportant items, made on a custom basis, and differing in specification between manufacturers, may continue to bear their General Ceiling Price Regulation ceiling prices, if the manufacturer so chooses. The Director recognizes however, that a manufacturer of these products may find that his General Ceiling Price Regulation ceiling does not reflect substantial cost increases sustained since pre-Korea. To avoid hardship in this type of case, this supplementary regulation makes the postponement of price ceiling calculations under CPR 22 optional for manufacturers of these relatively unimportant, miscellaneous, custom made mechanical rubber goods. It is estimated that only 10–15 percent of the sales of the mechanical rubber goods industry will be affected by this optional postponement provision. Preliminary evidence based on several Form 8 reports indicates that the temporary maintenance of GCPR prices for those manufacturers who will use this supplementary regulation will not, in general, result in a higher price level than that which would be determined under CPR 22.

Certain tires and tubes. This supplementary regulation also postpones the ceiling price calculations of CPR 22 for manufacturers of replacement tires and tubes and original equipment tires and tubes.

During the period between June 1950 and January 1951, prices for natural rubber rose from approximately 25¢ to 66¢ per pound, the price for GRS synthetic rubber rose from 18½¢ to 24½¢ per pound, that of GR–I butyl rubber rose from 18½¢ to 20¾¢ per pound, and there were indications of increases in labor and other material costs entering into the manufacture of tires and tubes. Following the increases in the cost of manufacturing tires and tubes, the prices of tires and tubes advanced by stages during the same period; the last price increase, for replacement tires and tubes, however, took place in late October and early November of 1950, and the last price increase for original equipment tires and tubes was announced December 19, 1950, to be effective January 1, 1951, in accordance with the normal industry practice of changing prices on a calendar quarter basis. At the time of these price changes in both replacement and original equipment tires and tubes the cost of the natural rubber being used averaged about 53¢ per pound, according to information submitted by the industry.

After the issuance of CPR 22, OPS, with the advice of, and after consultation with, the Tire and Tube Industry Advisory Committee, devised Form 15, a substitute for the Form 8 required under CPR 22. OPS requested and received individual reports on these Forms 15 as to cost increases sustained on certain designated key items, which are the best-selling items of the several tire and tube product lines. The sample included all

20 tire companies as well as two of the largest specialty tube companies.

These reports showed a substantial increase over pre-Korea base period prices, which would indicate a rise in individual GCPR ceiling prices averaging approximately 4.18 percent for replacement tires and tubes, and averaging approximately 5.95 percent for original equipment tires and tubes.

Within recent weeks, there has been a downward trend in the world rubber market. The General Services Administration of the U. S. Government, which buys and sells rubber, has announced a significant reduction in its sales price of natural rubber. Consequently, the cost data collected and evaluated, based upon the natural rubber price level of 66¢ in March 1951, will require revision to conform with the lower cost that will prevail in the immediate future.

The drop in the price of natural rubber is expected to be sufficient to offset the price increase otherwise indicated. The Director has concluded that to permit price increases for tires and tubes for but a short period appears undesirable and impractical.

The manufacturers' advisory committee agreed unanimously with these conclusions, and recommended that the ceiling prices fixed by CCPR be held until new calculations could be made. Practically the entire industry has agreed to cooperate with OPS in its effort to hold the line on rising prices. Consequently this order avoids the creation of a temporarily higher ceiling price for tires and tubes. When this postponement of calculation is ended by the revocation of this section of the regulation, ceiling prices will be determined pursuant to the provisions of CPR 22 unless by that time OPS has issued a "tailored" regulation covering such sales, in which case, ceiling prices will be governed by such "tailored" regulation.

In the judgment of the Director of Price Stabilization, the provisions of this supplementary regulation are generally fair and equitable and are necessary to effectuate the purposes of Title IV of the Defense Production Act of 1950.

REGULATORY PROVISIONS

Sec.
1. What this regulation does.
2. Optional postponement of ceiling price calculations for manufacturers of certain molded, extruded and cut mechanical rubber goods.
3. Postponement of ceiling price calculations for certain tires and tubes.

AUTHORITY: Sections 1 to 3 issued under sec. 704, Pub. Law 774, 81st Congress. Interpret or apply Title IV, Pub. Law 774, 81st Congress E. O. 10161, Sept. 9, 1950, F. R. 6105; 3 CFR, 1950 Supp.

SECTION 1. *What this regulation does.* This supplementary regulation gives manufacturers of certain specified rubber products the option of pricing under GCPR or CPR 22, and requires manufacturers of other specified products to price under GCPR. Such option or requirement is to be effective until the applicable section of this supplementary regulation is revoked, except where an additional alternative cutoff date is specified. Unless otherwise specified in this or other supplementary regulations to CPR 22, however, manufacturers of rubber products must price under CPR 22.

SEC. 2. *Optional postponement of ceiling calculations for manufacturers of certain molded, extruded and cut mechanical rubber goods.* (a) "Cut" mechanical rubber goods include those that are lathe cut, strip cut, hand cut, die cut, or made by other cutting processes.

(b) "Molded, extruded and cut mechanical rubber goods" as used in this section, does not include these product groups:

(1) Hydraulic brake cups and parts.
(2) Boots, hydraulic.
(3) Molded tires.
(4) Automobile floor mats (original equipment).
(5) Platens for typewriters and business machines.

(c) If you manufacture molded, extruded, or cut mechanical rubber goods items as defined in paragraphs (a) and (b) of this section and your sales during the second calendar quarter of 1951 for any one such item totaled less than $10,000, then as to such item instead of calculating your ceiling price under CPR 22 you may elect to continue your GCPR ceiling price until September 30, 1951, or until section 2 of this supplementary regulation is revoked, whichever is earlier.

SEC. 3. *Postponement of ceiling price calculations for certain tires and tubes.* If you are a manufacturer of original equipment tires or tubes, or replacement tires or tubes, as defined below, your ceiling prices for such items are your GCPR ceiling prices, notwithstanding the provisions of CPR 22, and shall continue to be so until this section is revoked.

"Original equipment tires and tubes" means new rubber tires and tubes sold for the original equipment of automobiles, trucks, buses, trailers, off-the-road equipment, farm implements, tractors, industrial equipment, airplanes, bicycles and motorcycles, and includes tires and tubes sold directly to any agency of the U. S. Government.

"Replacement tires and tubes" means new rubber tires and tubes sold for the replacement of the tires and tubes with which the vehicle was originally equipped, not including, however, such tires and tubes when sold to the brand owner thereof, and not including sales to U. S. Government agencies.

Effective date: The effective date of this supplementary regulation is July 2, 1951.

MICHAEL V. DISALLE,
Director,
Office of Price Stabilization.

JUNE 28, 1951.

[F. R. Doc. 51-7584; Filed, June 28, 1951; 4:01 p. m.]

[Ceiling Price Regulation 31, Amendment 4]

CPR 31—IMPORTS

NAVAL STORES 90

Pursuant to the Defense Production Act of 1950 (Pub. Law 774, 81st Cong.), Executive Order 10161 (15 F. R. 6105), and Economic Stabilization Agency General Order No. 2 (16 F. R. 738), this amendment 4 to Ceiling Price Regulation 31 is hereby issued.

STATEMENT OF CONSIDERATIONS

The accompanying amendment to Ceiling Price Regulation 31 is made necessary by the issuance of Ceiling Price Regulation 52 which establishes ceiling prices on all sales of gum rosin and gum turpentine other than import sales. Ceiling Price Regulation 31 excepts from its coverage certain commodities including naval stores as described in paragraph 90 of the current U. S. Tariff Schedule as published by the U. S. Tariff Commission.

The effect of this amendment is to bring sales of imported gum rosin and gum turpentine within the coverage of Ceiling Price Regulation 31.

AMENDATORY PROVISIONS

Appendix A of Ceiling Price Regulation 31 is amended in the following respect:

Change *"Naval Stores—90"* to read:

Naval Stores 90
(Except gum rosin and gum turpentine)

(Sec. 704, Pub. Law 774, 81st Cong.)

Effective date. This amendment shall be effective June 27, 1951.

MICHAEL V. DISALLE,
Director of Price Stabilization.

JUNE 27, 1951.

[F. R. Doc. 51-7557; Filed, June 27, 1951; 4:57 p. m.]

[Ceiling Price Regulation 34, Supplementary Regulation 1, Correction]

CPR 34—SERVICES

SR 1—WHOLESALE DRY CLEANING, FINISHING AND DYEING IN THE NEW YORK CITY AREA

Due to clerical error, certain wholesale ceiling prices were incorrectly listed in Schedule A of Supplementary Regulation 1 to CPR 34 effective June 14, 1951 (16 F. R. 738). Accordingly, the following wholesale ceiling prices, per garment or item, as set forth in Schedule A, are corrected to read as follows:

1. $0.20 for "Men's White Suit" and "Men's Linen Suit" under "Sales to Commissioners, Cleaned Only".
2. $0.19 for "Children's Coats" under "Sales to Commissioners, Cleaned Only".
3. $0.22 for "Children's Coats" under "Sales to Commissioners, Finished Only".
4. $0.28 for "Ladies Suit" under "Sales to Outlets, Cleaned Only".
5. $0.35 for "Ladies Evening Gown" under "Sales to Outlets, Cleaned Only".
6. $0.35 for "Ladies Evening Gown (with train or pleated)" under "Sales to Outlets, Cleaned Only".

(Sec. 704, Pub. Law 774, 81st Cong.)

MICHAEL V. DISALLE,
Director,
Office of Price Stabilization.

JUNE 28, 1951.

[F. R. Doc. 51-7582; Filed, June 28, 1951; 10:52 a. m.]

[Ceiling Price Regulation 52]

CPR 52—Gum Rosin and Gum Turpentine

Pursuant to the Defense Production Act of 1950 (Pub. Law 774, 81st Cong.), Executive Order 10161 (15 F. R. 6105), and Economic Stabilization Agency General Order No. 2 (16 F. R. 738), this Ceiling Price Regulation 52 is hereby issued.

STATEMENT OF CONSIDERATIONS

This regulation establishes ceiling prices for sales of gum rosin and gum turpentine produced in the United States. Ceiling Price Regulation 31 is being amended simultaneously to make it applicable to sales of imported gum rosin and gum turpentine. Sales by sellers who sell principally to individual consumers other than industrial, institutional or governmental consumers remain under the General Ceiling Price Regulation. Sales for export and export sales will be governed by a ceiling price regulation on exports.

Gum rosin and gum turpentine are distilled from the crude gum which is exuded from the living pine tree. Both are products important to industry. Rosin is used in the manufacture of paper and paper size, chemicals and pharmaceuticals, ester gum and synthetic resins, paint, varnish and lacquer, soap, linoleum and floor covering, rubber and other products. Turpentine is an important paint thinner and solvent. The available stocks of rosin have shown a marked decline; the gathering of the current crop has been delayed by unseasonable weather since the first of the year. Past experience indicates that production losses attributable to a late start of the gathering season are not made up later on.

The General Ceiling Price Regulation froze the prices of gum rosin and gum turpentine during a period which is normally a non-producing period. As a result, many customary sellers were out of the market on some grades of rosin and a few had no supplies of any grade to offer. In consequence, the poorer grades of rosin were selling at abnormal prices in relation to other grades. As to turpentine, which was frozen under General Ceiling Price Regulation at about a 92¢ figure f. o. b. Southern producing points, there was a price break to a 75¢ level during the month of May. At the present time, heavy export inquiries exist for gum rosin, and a tailored regulation is necessary to correct the anomalous rosin price structure frozen by the General Ceiling Price Regulation and to secure a more realistic ceiling on turpentine in the light of current quotations than the 92¢ figure generally frozen under the General Ceiling Price Regulation.

The price of crude gum is not subject to price control, and it is not feasible to control it because it is not a homogeneous commodity. Not only are there wide differences in the dirt and impurities contained in the gum delivered by farmers for which it is impossible to establish a uniform schedule of discounts, but the quality of the crude gum itself, in terms of quantitative content of the better grades of rosin, is a variable in the course of the producing season.

This regulation seeks to meet the present price problems of the industry by establishing uniform dollar and cents ceiling prices on the processor's sales, f. o. b. processing point. In recent years, the central processing plants have grown in importance as focal points for the gathering of crude pine gum from farmers and for the distribution of the resulting distilled gum rosin and gum turpentine. They have all but supplanted the individual farmer's stills. The processor's selling price for turpentine and rosin has been a major factor in determining the price which the farmer has received for his crude gum at the processing plant. The establishment of uniform ceiling prices at the processor's level corrects the price distortions frozen by the General Ceiling Price Regulation. Also, the levels at which the prices are set make it possible for processors to pay a price sufficient to encourage the farmer to gather the vitally needed gum. The dollar and cents ceiling prices will enable the farmer to receive a price substantially above parity for his crude gum. The ceiling prices established are approximately at current levels.

A turpentine ceiling price of 80 cents per gallon at the processor's level is established. Rosin prices are established at $9.50 per 100 pounds for grade N. The differentials for the other grades are those obtained from the Department of Agriculture, based on the weighted average of sales on the Savannah market for 1950.

The dollar and cents ceilings at the processor's level establish a fixed base for the determination of resale prices by subsequent sellers in the industry. Each reseller, other than a retail seller who sells principally to individual consumers, is permitted his customary mark-up above the processor's dollar and cents ceilings in establishing his own ceiling prices. In this respect, a processor who also has a selling organization is permitted a mark-up as a dealer of gum rosin and gum turpentine over the ceilings established on the processing phase of his business. Dealers who acquire their supplies from sources other than a processor will add their mark-up to a cost of acquisition which in turn is based on the dollar and cents ceilings established at the processor's level. The mark-up is computed on the basis of sellers' margins during a base period April 1, 1950–July 31, 1950. The use of this period will give to sellers their normal margin which they enjoyed before the impact of the Korean emergency. Retail sellers who sell principally to individual consumers, other than industrial, institutional or governmental consumers, are left under the General Ceiling Price Regulation in order to minimize the number of different pricing rules applying to them.

Resellers must report their mark-up determinations to the Rubber, Chemicals & Drugs Division of the Office of Price Stabilization within 60 days after the effective date of the regulation. The Director of Price Stabilization may disapprove any mark-up if he finds it was wrongly computed or is otherwise out of line, or which does not represent the performance of a recognized distributive function. This latter is necessary to control the interjection into the distributive channels of middlemen who do not perform a recognized function in the trade.

Sellers who cannot compute their ceiling prices for any type of sale because they did not make such a sale during the base period, or for other reasons, may apply to the Director for the establishment of a ceiling price.

In the judgment of the Director of Price Stabilization, the ceiling prices established by this regulation are generally fair and equitable and are necessary to effectuate the purposes of Title IV of the Defense Production Act of 1950. So far as practicable the Director of Price Stabilization has given due consideration to the national effort to achieve maximum production in furtherance of the objectives of the Defense Production Act of 1950. In formulating this regulation the Director of Price Stabilization has given careful consideration to the recommendations made by representatives of the industry, who convened as a regularly appointed industry advisory committee.

REGULATORY PROVISIONS

Sec.

Authority: Sections 1 to 19 issued under sec. 704, Pub. Law 774, 81st Cong. Interpret or apply Title IV, Pub. Law 774, 81st Cong.; E. O. 10161, Sept. 9, 1950, 15 F. R. 6105; 3 CFR, 1950 Supp.

Section 1. *What this regulation does.* This regulation establishes ceiling prices for sales of gum rosin and gum turpentine, in the 48 states of the United States and the District of Columbia, except sales of such commodities which have been imported and sales made by a seller who sells principally to individual consumers other than industrial, institutional or governmental consumers.

This regulation does not establish ceiling prices on sales of crude pine gum.

Sec. 2. *Relation to other ceiling price regulations.* This regulation supersedes the General Ceiling Price Regulation with respect to all sales of gum rosin and gum turpentine covered by this regulation. GCPR remains applicable to sellers who sell principally to individual consumers other than industrial, insti-

tutional or governmental consumers. Ceiling Price Regulation 31, as amended, applies to sales of imported gum rosin and gum turpentine. A ceiling price regulation covering exports will apply to export sales and sales for export.

SEC. 3. *Definitions.* This regulation and the terms which appear in it shall be construed in the following manner, unless otherwise clearly required by the context:

Gum turpentine means gum spirits of turpentine obtained in the distillation of the oleoresin exuded from the living pine tree.

Gum rosin means the vitreous transparent or translucent mass remaining after the extraction of gum spirits of turpentine in the distillation of oleoresin exuded from the living pine tree.

Grade means the grade of gum rosin as established by the Naval Stores Act of 1923 (42 Stat. 1435; 7 USC, Sec. 91–99) and the regulations of the Secretary of Agriculture issued thereunder.

Base period means the period from April 1, 1950 to July 31, 1950.

Processor means one who produces gum rosin and gum turpentine by the distillation of oleoresin exuded from the living pine tree.

Dealer means one who purchases gum rosin or gum turpentine for resale without changing its form and includes a processor dealer.

Processor dealer is one who, in addition to being a processor, also performs functions similar to those of a dealer in that he:

(1) Transfers the gum rosin or gum turpentine from his processing unit to his dealer unit, which unit performs the normal functions and assumes the normal risks of a dealer, or

(2) Buys gum rosin and gum turpentine for his own account from another processor for the purpose of resale, or

(3) Performs both functions (1) and (2).

A factor for gum rosin or gum turpentine is one who performs the functions of a factor as defined by the applicable state law.

Bags as used herein refers to bags of a size and type customarily used for sales of gum rosin.

SEC. 4. *Processor's ceiling prices for gum rosin*—(a) *Sales in drugs.* The ceiling prices for sales of gum rosin by a processor in drums from his stocks, drums included, are:

Ceiling price per 100 pounds net f. o. b. processor's yard (drums included)

Grade:	
X	$9.79
WW	9.79
WG	9.60
N	9.50
M	9.49
K	9.49
I	9.48
H	9.48
G	9.47
F	9.43
E	9.22
D	9.16
B	9.08

(b) *Sales in tank cars.* The ceiling prices for sales of gum rosin in tank cars, f. o. b. processor's yard, are the prices established in paragraph (a) of this section, minus $0.25 per 100 pounds net weight.

(c) *Sales in bags.* The ceiling prices for sales of gum rosin in bags, f. o. b. processor's yard, are the prices established in paragraph (a) of this section, minus $0.10 per 100 pounds net weight.

(d) *Loading charges.* If a processor loads the gum rosin on cars he may add to the ceiling prices set forth above a loading charge not to exceed the prevailing loading charge made by him during the base period, as defined in section 3 of this regulation, to the same class of purchaser.

(e) *Containers.* No extra charge for containers may be made by a processor.

(f) *Factorage charges.* A factor's charges may not be added to the above ceiling prices.

SEC. 5. *Processors' ceiling prices for gum turpentine*—(a) *Sales from storage tanks.* The ceiling price for any domestic sale of gum turpentine by a processor from his storage tank in his yard is $.80 per 7.2 pound gallon.

(b) *Sales in tank cars.* The ceiling price for sales in tank cars is the processor's ceiling price of gum turpentine established in paragraph (a) of this section plus a loading charge as determined in paragraph (c) (3) of this section.

(c) *Sales in drums.* The ceiling price for sales in drums, drums included, is the processor's ceiling price of gum turpentine established in paragraph (a) of this section plus:

(1) The actual cost of the container from his normal source of supply.

(2) A filling charge not to exceed the prevailing filling charge customarily made by the processor during the base period, for filling the same type and size container for sale to the same class of purchaser.

(3) A loading charge not to exceed the prevailing loading charge made by him during the base period.

(d) *Factorage charges.* A factor's charge may not be added to the above ceiling prices.

SEC. 6. *Dealers' ceiling prices for gum rosin and gum turpentine*—(a) *Sales in containers specified in sections 4 and 5 of this regulation*—(1) *Gum rosin or gum turpentine acquired from a processor.* If you are a dealer, the ceiling price, f. o. b. your customary shipping point, for sales in containers specified in sections 4 and 5 of this regulation for gum rosin or gum turpentine which you acquired from a processor, is computed as follows:

(i) Determine from section 4 or 5 of this regulation the ceiling price for like sales by processors.

(ii) If you are a dealer other than a processor dealer, determine your intransportation charges, of the kind which you normally incurred during the base period, per unit of the commodity.

(iii) Determine your permitted percentage mark-up as provided in section 7 of this regulation.

(iv) Multiply the sum of (i) and (ii) by the percentage determined in (iii).

(v) Add (i), (ii), and (iv) and the result is your ceiling price.

(2) *Gum rosin or gum turpentine acquired from a non-processor.* If you are a dealer, your ceiling price, f. o. b. your customary base period shipping point, for sales in containers specified in sections 4 or 5 of this regulation, of gum rosin or gum turpentine acquired from a source other than a processor is your laid down cost for the product in the container being priced, plus a percentage of that amount equivalent to the permitted percentage mark-up calculated under section 7 of this regulation.

(b) *Sales in containers other than those specified in sections 4 and 5 of this regulation*—(1) *Gum rosin or gum turpentine acquired from a processor.* For gum rosin or gum turpentine which you acquire from a processor, your ceiling price on sales as a dealer in containers other than those specified in section 4 or 5 of this regulation is the price determined as follows:

(i) Determine the ceiling price for sales by processors of the gum rosin as established in section 4 (a) of this regulation, or of the gum turpentine, as established in section 5 (a) of this regulation.

(ii) If you are a dealer other than a processor dealer, determine your intransportation charges of the kind normally incurred by you during the base period, per unit of the commodity.

(iii) Determine your permitted percentage mark-up as provided in section 7 of this regulation.

(iv) Multiply the sum of (i) and (ii) by the percentage determined in (iii).

(v) Add (i), (ii) and (iv) and the result is your ceiling price.

(2) *Gum rosin or gum turpentine acquired from a non-processor source.* For gum rosin or gum turpentine which you acquire from a source other than a processor, your ceiling price, f. o. b. your customary base period shipping point, for sales by you as a dealer in containers other than those specified in sections 4 and 5 of this regulation, is your laid-down cost for the product plus your applicable permitted percentage mark-up, which you have calculated under section 7 of this regulation.

SEC. 7. *Computation of dealers' permitted percentage mark-up.* Your permitted percentage mark-up must be computed separately for each type of sale, e. g. quantity and container sizes, to each class of purchaser. You must also compute your mark-ups separately for gum rosin and gum turpentine. Your permitted percentage mark-up is computed as follows:

(a) If sales of gum rosin and gum turpentine were made during the base period:

(1) Determine from your records the dollar amount of your sales of gum rosin or gum turpentine, whichever commodity you are pricing, made by you during the base period for each type of sale and for each class of purchaser.

(2) Determine the laid-down cost of the number of units represented by your sales in subparagraph (1) of this paragraph. If you are a processor dealer, the laid-down cost is the transfer price shown on your books. If you are not a proc-

essor dealer, the laid-down cost is the actual cost of the commodity delivered to your warehouse or plant.

(3) Subtract (2) from (1) and the result is your gross margin for the type of sale.

(4) Divide your gross margin (3) by your laid-down costs (2) and multiply by 100. The result is your permitted percentage mark-up for the type of sale. You must file a report of your mark-up as provided in section 8 of this regulation.

SEC. 8. *Report of your permitted percentage mark-up.* (a) Within 60 days after the effective date of this regulation, you must file a report with the Office of Price Stabilization, Rubber, Chemicals and Drugs Division, Washington 25, D. C., showing:

(1) Your name and address.

(2) The nature of your business.

(3) The types of sales made by you and classes of purchasers to which you sell.

(4) Your permitted percentage mark-ups as computed by you.

(5) How you computed those percentage mark-ups.

(b) The Director of Price Stabilization may modify or disapprove your permitted percentage mark-up if he finds any of the following:

(1) A mark-up was incorrectly computed.

(2) The mark-up is out of line with the prevailing mark-up for others performing substantially the same selling function.

(3) Your mark-up results in ceiling prices which are out of line with the ceiling prices established by this regulation.

(4) You do not perform a recognized distributive function in accordance with the usual practice of the trade.

SEC. 9. *Application to Director for establishment of a ceiling price*—(a) *Application.* If you cannot compute your ceiling price for any type of sale because you did not make such sale during the base period, or for any other reason, or if you cannot compute your permitted percentage mark-up, you may apply to the Director of Price Stabilization for the establishment of a ceiling price or an appropriate mark-up. Your application should be addressed to the Office of Price Stabilization, Rubber, Chemicals and Drugs Division, Washington 25, D. C. and should contain the following information:

(1) Your name and address.

(2) Why you cannot compute your ceiling price or mark-up under this regulation.

(3) The name and address of your most closely competitive seller.

(4) His ceiling price for the same type of sale which you propose to make.

(5) The ceiling price or mark-up which you believe should be established for your proposed sale, and why you believe it is in line with the ceiling prices established by this regulation.

(b) *What you may do after you file your application.* If your application shows that there is a seller closely competitive to you who has an established ceiling price for the type of sale you propose to make, you may, after 15 days from the date you file your application, sell at the ceiling price of your most closely competitive seller unless or until the Director of Price Stabilization requests further information from you or notifies you that your application has been disapproved. If there is no seller closely competitive to you who has a ceiling price established for the type of sale you propose to make, you may not make the type of sale you propose until a ceiling price has been established by the Director.

The Director of Price Stabilization may at any time disapprove a price reported by you, and may revoke or modify any order establishing a ceiling price, and may establish ceiling prices which he finds meets the requirements of this regulation and are in line with the prices established by this regulation.

SEC. 10. *Multiple handling.* For the purposes of this regulation, dealer mark-ups shall be allowed only when it can be established that the dealer performs a recognized distributive function in accordance with the usual practice of the trade.

SEC. 11. *Recalculation of ceiling prices.* If you are a dealer and your first receipts of gum rosin and gum turpentine after the effective date of this regulation are at prices below your supplier's ceiling prices, you are permitted to recalculate your ceiling prices whenever your replenishment costs increase, and your supplier certifies to you, in accordance with section 17, of this regulation that such increase is permitted by this regulation.

SEC. 12. *Prohibitions.* (a) After the effective date of this regulation, regardless of any contract or other obligation, you shall not sell, and you shall not buy in the regular course of trade or business, any gum rosin or gum turpentine at prices higher than the ceiling prices established by or under this regulation.

(b) You shall not agree, offer, solicit, or attempt to do any of the foregoing.

SEC. 13. *Evasion.* Any practice which results in obtaining indirectly a higher price than is permitted by this regulation is a violation of this regulation. Such practices include, but are not limited to, devices making use of commissions, arrangements, premiums, discounts, special privileges, tie-in agreements and trade understandings.

SEC. 14. *Charges lower than ceiling prices.* Lower prices than those established under this regulation may be charged, demanded, paid or offered.

SEC. 15. *Petition for amendment.* Any person seeking an amendment of this regulation may file a petition for amendment in accordance with Price Procedural Regulation 1, as revised.

SEC. 16. *Adjustable pricing.* Nothing in this regulation prohibits you from making a contract or from offering to sell gum rosin or gum turpentine at:

(a) The ceiling price in effect at the time of delivery, or

(b) A fixed price, or the ceiling price at the time of delivery, whichever is lower.

You may not, however, unless authorized by the Office of Price Stabilization, deliver or agree to deliver gum rosin or gum turpentine at prices to be adjusted upward in accordance with any increases in your ceiling prices after delivery.

SEC. 17. *Statement required on invoices.* If you sell gum rosin or gum turpentine to one who is expected to resell it you must state on the invoice that the price charged is not in excess of the ceiling price permitted by this regulation.

SEC. 18. *Commissions and brokers' fees.* The ceiling prices established by this regulation shall not be increased by any charges for commissions or brokers' fees. If a sale is made through a broker or other agent acting for the buyer, the commission, fee, or other charge received by the broker or other agent, when added to the price paid to the seller, may not result in a sum exceeding the ceiling price established by this regulation.

SEC. 19. *Records which you must keep.* On and after the effective date of this regulation, the following records must be kept for a period of 2 years after such effective date or after the sale or purchase recorded whichever is later:

(a) *Current records.* If you sell gum rosin or gum turpentine, you must maintain and retain records of every sale made by you after the effective date of this regulation, showing the date of sale, the name and address of the purchaser, the commodity and quantity sold, and the price contracted for and received.

(b) *Existing records.* You must also retain your existing records of purchases and sales of gum rosin and gum turpentine made since June 1, 1950.

Effective date. This regulation shall be effective June 27, 1951.

NOTE: The record keeping and reporting requirements of this regulation have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

MICHAEL V. DISALLE,
Director of Price Stabilization.

JUNE 27, 1951.

[F. R. Doc. 51-7558; Filed, June 27, 1951; 4:58 p. m.]

Chapter XVII—Housing and Home Finance Agency

[CR 3, Appendix 1]

CR 3—RELAXATION OF RESIDENTIAL CREDIT CONTROLS: REGULATION GOVERNING PROCESSING AND APPROVAL OF EXCEPTIONS AND TERMS FOR CRITICAL DEFENSE HOUSING AREAS

APP. 1—CRITICAL DEFENSE HOUSING AREAS

Appendix 1 to CR 3, Relaxation of Residential Credit Controls: Regulation Governing Processing and Approval of Exceptions and Terms for Critical Defense Housing Areas, originally issued at 16 F. R. 3838 (May 2, 1951) and last amended at 16 F. R. 5871 (June 20, 1951),

is hereby further amended to read as follows:

APPENDIX 1 TO CR 3 (AS AMENDED)—CRITICAL DEFENSE HOUSING AREAS [1]

Critical defense housing area	State	Date designated
1. San Diego	California	May 2, 1951
2. Corona	do	May 8, 1951
3. Colorado Springs	Colorado	Do.
4. Star Lake	New York	May 23, 1951
5. Fort Leonard Wood Area.	Missouri	Do.
6. Camp Cook Area	California	June 8, 1951
7. Bremerton	Washington	Do.
8. San Marcos	Texas	Do.
9. Valdosta	Georgia	June 20, 1951
10. Tullahoma	Tennessee	Do.
11. Camp Pendleton Area	California	Do.
12. Solano County	do	June 29, 1951
13. Quad Cities Area [2]	Iowa-Illinois.	Do.

[1] These areas are in addition to three areas of Atomic Energy Commission installations in which exceptions from residential credit restrictions are issued pursuant to CR 2 of the Housing and Home Finance Agency.

[2] Area of Davenport, Iowa, and Moline, East Moline, and Rock Island, Ill.

RAYMOND FOLEY,
Housing and Home Finance Administrator.

[F. R. Doc. 51-7442; Filed, June 28, 1951; 8:55 a. m.]

TITLE 38—PENSIONS, BONUSES, AND VETERANS' RELIEF

Chapter I—Veterans' Administration

PART 21 — VOCATIONAL REHABILITATION AND EDUCATION

SUBPART A—REGISTRATION AND RESEARCH

REPAYMENT OF VALUE OF TRAINING SUPPLIES

A new § 21.114 is added to read as follows:

§ 21.114 *Repayment of value of training supplies—Part VIII, Veterans Regulation 1a, as amended (38 U. S. C. ch. 12 note).* (a) Supplies furnished a trainee are deemed released to him and should not be marked to indicate ownership by the United States. A trainee will not be required to repay the value of expendable supplies nor will he be required to pay the reasonable value of nonexpendable supplies in the event he fails to complete his course of education or training unless it be determined that his failure to do so was because of fault on his part and, in making such determination, the trainee will be given the benefit of any reasonable doubt. Determination of the presence or absence of fault will be made by the registration officer, and the findings will be filed in the R&E folder.

(b) In cases found to be meritorious, as defined in paragraph (d) of this section, even though the veteran is found to be at fault, the veteran will not be required to repay the Veterans' Administration for supplies furnished him at Veterans' Administration expense.

(c) The veteran will be deemed to be at fault if his training is discontinued:

(1) When he withdraws from the institution at the request of the institution; or

(2) When his course is discontinued by the Veterans' Administration because of unsatisfactory conduct or progress or both; or

(3) When the failure to complete the course is due to his negligence or misconduct; or

(4) When he voluntarily discontinues his training after pursuing training for less than 3 months or less than one-half of the prescribed duration of the course whichever be the lesser period.

(d) A case will be considered meritorious under paragraph (b) of this section even though the veteran may have been at fault if:

(1) The veteran since withdrawing from his course of training has reentered or is known to be in process of reentering the armed forces; or

(2) The veteran completed satisfactorily one-half or more of the term or period for which enrolled and during which supplies were issued; or

(3) The veteran certified that he retained the supplies furnished to him for use in connection with his employment; or

(4) The value of the supplies was less that $10; or

(5) The veteran dies while in a training status.

(e) When repayment is in order the veteran will be required to pay the value at which the nonexpendable supplies were issued to him less a percentage equivalent to the percentage of the term or period completed. For example, a veteran who discontinued training after completing one-third of a term during which supplies were issued would be required to repay two-thirds of the issue value. However, if no supplies were issued during such period he would not be required to repay any amount. Under no circumstances will supplies be accepted in lieu of repayment.

(f) The provisions of this section will apply equally to cases where training is discontinued on or after June 29, 1951, and to cases where training was discontinued prior to June 29, 1951, but a disposition of the case was not made under the regulations in this part in effect at that time.

(Sec. 2, 46 Stat. 1016, sec. 7, 48 Stat. 9, sec. 2, 57 Stat. 43, as amended, sec. 400, 58 Stat. 287, as amended; 38 U. S. C. 11a, 701, 707, ch. 12 note. Interpret or apply secs. 3, 4, 57 Stat. 43, as amended, secs. 300, 1500–1504, 1506, 1507, 58 Stat. 286, 300, as amended; 38 U. S. C. 693g, 697–697d, 697f, g. ch. 12 note)

The regulation is effective June 29, 1951.

[SEAL] O. W. CLARK,
Deputy Administrator.

[F. R. Doc. 51-7443; Filed, June 28, 1951; 8:54 a. m.]

PROPOSED RULE MAKING

DEPARTMENT OF JUSTICE

Immigration and Naturalization Service

[8 CFR, Part 166]

ISSUANCE OF RESIDENT ALIENS' BORDER CROSSING IDENTIFICATION CARDS

NOTICE OF PROPOSED RULE MAKING

JUNE 15, 1951.

Pursuant to section 4 of the Administrative Procedure Act (60 Stat. 238; 5 U. S. C. 1003), notice is hereby given of the proposed issuance by the Commissioner of Immigration and Naturalization, with the approval of the Attorney General, of the following rule relating to the issuance of resident aliens' border crossing identification cards. In accordance with subsection (b) of the said section 4, interested persons may submit to the Commissioner of Immigration and Naturalization, Room 1063, Temporary Federal Office Building X, 19th and East Capitol Streets NE., Washington 25, D. C., written data, views and arguments relative to the substantive provisions of the proposed rule. Such representations may not be presented orally in any manner. All relevant material received within 20 days following the day of publication of this notice will be considered.

Section 166.1, Chapter I, Title 8 of the Code of Federal Regulations, is amended to read as follows:

§ 166.1 *Resident alien's border crossing identification card; qualifications to obtain.* A resident alien's border crossing identification card may be issued to any alien who, upon application therefor, submits satisfactory evidence that he (a) has been legally admitted to the United States for permanent residence and has not relinquished the status of a permanent resident, (b) has complied with the applicable provisions of the Alien Registration Act, 1940, as amended, and (c) has a legitimate purpose and reasonable need to make a temporary visit or visits to Canada or Mexico, with no single visit to exceed a period of six months: *Provided, however,* That no such card shall be issued, nor shall any such card previously issued be renewed, in any case in which there is reason to believe that probable grounds for exclusion from the United States would exist as to the applicant or holder, nor unless the applicant or holder is a person who is permitted to depart from the United States under the terms of laws, regulations, Executive orders, or other governmental restrictions regulating the departure of aliens from the United States in effect at the

time application for such card or renewal thereof is made.

(Sec. 23, 39 Stat. 892, sec. 24, 43 Stat. 166, sec. 37, 54 Stat. 675; 8 U. S. C. 102, 222, 458)

ARGYLE R. MACKEY,
Commissioner,
Immigration and Naturalization.

Approved: June 22, 1951.

PEYTON FORD,
Acting Attorney General.

[F. R. Doc. 51-7445; Filed, June 28, 1951; 8:53 a. m.]

DEPARTMENT OF LABOR

Wage and Hour Division

[29 CFR, Part 683]

WHOLESALING, WAREHOUSING, AND OTHER DISTRIBUTION INDUSTRIES IN PUERTO RICO

MINIMUM WAGE RATES

On October 19, 1950, pursuant to section 5 (a) of the Fair Labor Standards Act of 1938, as amended, hereinafter called the act, the Administrator of the Wage and Hour Division, United States Department of Labor, by Administrative Order No. 403, appointed Special Industry Committee No. 9 for Puerto Rico, hereinafter called the Committee, and directed the Committee to investigate conditions in a number of industries in Puerto Rico specified and defined in the order, including the wholesaling, warehousing, and other distribution industries, and to recommend minimum wage rates for employees engaged in commerce or in the production of goods for commerce in such industries.

For purposes of investigating conditions in and recommending minimum wage rates for the wholesaling, warehousing, and other distribution industries in Puerto Rico, the Committee included three disinterested persons representing the public, a like number representing employers, and a like number representing employees in the wholesaling, warehousing, and other distribution industries, and was composed of residents of Puerto Rico and of the United States outside of Puerto Rico.

After investigating economic and competitive conditions in the wholesaling, warehousing, and other distribution industries in Puerto Rico, the Committee filed with the Administrator a report containing its recommendations for a minimum wage rate of 65 cents an hour to be paid to employees in the wholesaling, warehousing, and other distribution industries who are engaged in commerce or in the production of goods for commerce.

Pursuant to notice published in the FEDERAL REGISTER on March 27, 1951, and circulated to all interested persons, a public hearing upon the Committee's recommendations was held before Hearing Examiner E. West Parkinson, as presiding officer, in Washington, D. C., on April 24, 1951, at which all interested persons were given an opportunity to be heard. After the hearing was closed the record of the hearing was certified to the Administrator by the presiding officer.

Upon reviewing all the evidence adduced in this proceeding and after giving consideration to the provisions of the act, particularly sections 5 and 8 thereof, I have concluded that the recommendation of the Committee for a minimum wage rate in the wholesaling, warehousing, and other distribution industries in Puerto Rico, as defined, was made in accordance with law, is supported by the evidence adduced at the hearing, and, taking into consideration the same factors as are required to be considered by the Committee, will carry out the purposes of sections 5 and 8 of the act.

I have set forth my decision in a document entitled "Findings and Opinion of the Administrator in the Matter of the Recommendation of Special Industry Committee No. 9 for Puerto Rico of a Minimum Wage Rate in the Wholesaling, Warehousing, and Other Distribution Industries in Puerto Rico," a copy of which may be had upon request addressed to the Wage and Hour Division, United States Department of Labor, Washington 25, D. C.

Accordingly, notice is hereby given, pursuant to the Administrative Procedure Act (60 Stat. 237; 5 U. S. C. 1001) and the rules of practice governing this proceeding (16 F. R. 2684), that I propose to approve the recommendation of the Committee for the wholesaling, warehousing, and other distribution industries and to issue a wage order to read as set forth below to carry such recommendation into effect.

Within 15 days from publication of this notice in the FEDERAL REGISTER, interested parties may submit written exceptions to the proposed action above described. Exceptions should be addressed to the Administrator of the Wage and Hour Division, United States Department of Labor, Washington 25, D. C. They should be submitted in quadruplicate, and should include supporting reasons for any exceptions.

Sec.
683.1 Approval of recommendation of industry committee.
683.2 Wage rate.
683.3 Notices of order.
683.4 Definition of the wholesaling, warehousing, and other distribution industries in Puerto Rico.

AUTHORITY: §§ 683.1 to 683.4 issued under section 8, 63 Stat. 915; 29 U. S. C. 208. Interpret or apply sec. 5, 63 Stat. 911; 29 U. S. C. 205.

§ 683.1 *Approval of recommendation of industry committee.* The Committee's recommendation is hereby approved.

§ 683.2 *Wage rate.* Wages at a rate of not less than 65 cents per hour shall be paid under section 6 of the Fair Labor Standards Act of 1938, as amended, by every employer to each of his employees in the wholesaling, warehousing, and other distribution industries in Puerto Rico who is engaged in commerce or in the production of goods for commerce.

§ 683.3 *Notices of order.* Every employer employing any employees so engaged in commerce or in the production of goods for commerce in the wholesaling, warehousing, and other distribution industries in Puerto Rico shall post and keep posted in a conspicuous place in each department of his establishment where such employees are working such notices of this order as shall be prescribed from time to time by the Wage and Hour Division of the United States Department of Labor and shall give such other notice as the Division may prescribe.

§ 683.4 *Definition of wholesaling, warehousing, and other distribution industries in Puerto Rico.* The wholesaling, warehousing, and other distribution industries in Puerto Rico to which this part shall apply, is hereby defined as follows: The wholesaling, warehousing, and other distribution of commodities including, but without limitation, the wholesaling, warehousing, and other distribution activities of jobbers, importers and exporters, manufacturers' sales branches and offices engaged in distributing products manufactured outside of Puerto Rico, industrial distributors, mail order and retail selling establishments, brokers and agents, and public warehouses: *Provided, however,* That the definition shall not include the activities of employees who are engaged in wholesaling, warehousing, or other distribution of products manufactured by their employer in Puerto Rico, or any activities covered by a wage order which has been issued for any other industry in Puerto Rico.

Signed at Washington, D. C., this 25th day of June 1951.

WM. R. MCCOMB,
Administrator,
Wage and Hour Division.

[F. R. Doc. 51-7463; Filed, June 28, 1951; 8:49 a. m.]

CIVIL AERONAUTICS BOARD

[14 CFR, Part 302]

RULES OF PRACTICE IN ECONOMIC PROCEEDINGS

NOTICE OF PROPOSED RULE MAKING

Correction

In Federal Register Document 51-6932, published at page 5704 of the issue for Friday, June 15, 1951, the following corrections are made:

1. In § 302.39 (b) the word "dependent" in the 5th, 8th, and 27th lines should read "deponent".

2. In the first column on page 5718, the headnote for Subpart F should be designated Subpart E.

NOTICES

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

ALASKA

SHORE SPACE RESTORATION NO. 462

JUNE 22, 1951.

By virtue of the authority contained in the act of June 5, 1920 (41 Stat. 1059, 48 U. S. C. 372), and in accordance with 43 CFR, § 4.275 (56) (Departmental Order No. 2325 of May 24, 1947, 12 F. R. 3566), and Order No. 319 of July 19, 1948 (43 CFR 50.451, 13 F. R. 4278), it is ordered as follows:

Subject to valid existing rights and the provisions of existing withdrawals, the 80-rod shore space reserve created under the act of May 14, 1898 (30 Stat. 409), as amended by the act of March 3, 1903 (32 Stat. 1028, 48 U. S. C. 371), is hereby revoked as to the following described lands;

A tract of land located on Jamestown Bay, Alaska, identified as U. S. Survey 2729 containing approximately 1.63 acres (Homestead Settlement Claim, Petition for Free Survey, and Shorespace Restoration of Francis J. O'Brian, Anchorage 011031).

A tract of land located on Zimovia Strait identified as Lot 17, U. S. Survey 2589 containing approximately 2.83 acres (Homesite Application of Russell Grande, Anchorage 015308).

A tract of land located on Auke Bay, Alaska, identified as Lot D, U. S. Survey 2391, comprising 4.81 acres (Homesite Application of John Sherman Tanner, Anchorage 014976).

A tract of land located on Chilkoot Inlet, Alaska, identified as U. S. Survey 974 containing approximately 46.36 acres (Indian Allotment of Sam Dennis, deceased, Anchorage 01464).

A tract of land located on Kenai Lake, Alaska, identified as U. S. Survey 3097 containing approximately 1.08 acres (Homesite Application and Petition for Free Survey and Shorespace Restoration of Ray W. McCann, Anchorage 018191).

A tract of land located on Cook Inlet, Alaska, more particularly described as follows: Commencing at the meander line at mean high tide at the west end of the section line that divides Sections 20 and 29, T. 8 N., R. 11 W., S. M., this to be known as Corner No. 1; thence following the meanders of the beach in a northerly direction for a distance of 660 feet to Corner No. 2; thence turning a direct right angle and in an easterly direction for a distance of 330 feet to Corner No. 3; thence turning in a direct right angle and in a southerly direction for an approximate distance of 660 feet and stopping at the Section line separating Sections 20 and 29, T. 8 N., R. 11 W., S. M., to Corner No. 4; thence following the section line in a westerly direction for an approximate distance of 330 feet to Corner No. 1 and place of beginning.

(Headquarters Site Application of Fred Earl William Seater, Anchorage 010752, containing approximately 5 acres.)

LOWELL M. PUCKETT,
Regional Administrator.

[F. R. Doc. 51-7436; Filed, June 28, 1951; 8:56 a. m.]

[Blackfoot 011516]

IDAHO

ORDER PROVIDING FOR OPENING OF PUBLIC LANDS

JUNE 20, 1951.

Pursuant to the provisions of the Carey Act of August 18, 1894 (28 Stat. 422; 43 U. S. C. sec. 641), the State of Idaho found that the hereinafter-described lands are unsuitable for irrigation and reclamation, and accordingly reconveyed such lands to the United States:

BOISE MERIDIAN

T. 15 S., R. 32 E.,
Sec. 35, E½SW¼.
T. 16 S., R. 32 E.,
Sec. 2, SW¼SE¼, E½SW¼, lot 3 (SE¼ NW¼);
Sec. 4, SW¼SE¼, SE¼SW¼;
Sec. 8, SE¼NE¼, NE¼SE¼;
Sec. 9, NE¼NW¼, S½NW¼, N½SW¼;
Sec. 22, NW¼NW¼.

The lands are not susceptible to practical irrigation.

No applications for these lands may be allowed under the homestead, small tract, desert-land, or any other nonmineral public-land laws, unless the lands have already been classified as valuable or suitable for such type of application, or shall be so classified upon consideration of an application.

At 10:00 a. m. on the 35th day after the date of this order the said lands shall, subject to valid existing rights and the provisions of existing withdrawals, become subject to application, petition, location, and selection as follows:

(a) *Ninety-one day period for preference-right filings.* For a period of 91 days, commencing at the hour and on the day specified above, the public lands affected by this order shall be subject only to (1) application under the homestead or the desert-land laws or the Small Tract Act of June 1, 1938, 52 Stat. 609 (43 U. S. C. 682a), as amended, by qualified veterans of World War II and other qualified persons entitled to preference under the act of September 27, 1944, 58 Stat. 747 (43 U. S. C. 279-284), as amended, subject to the requirements of applicable law, and (2) application under any applicable public-land law, based on prior existing valid settlement rights and preference rights conferred by existing laws or equitable claims subject to allowance and confirmation. Applications under subdivision (1) of this paragraph shall be subject to applications and claims of the classes described in subdivision (2) of this paragraph. All applications filed under this paragraph either at or before 10:00 a. m. on the 35th day after the date of this order shall be treated as though filed simultaneously at that time. All applications filed under this paragraph after 10:00 a. m. on the said 35th day shall be considered in the order of filing.

(b) *Date for non-preference-right filings.* Commencing at 10:00 a. m. on the 126th day after the date of this order, any lands remaining unappropriated shall become subject to such application, petition, location, selection, or other appropriation by the public generally as may be authorized by the public-land laws. All such applications filed either at or before 10:00 a. m. on the 126th day after the date of this order, shall be treated as though filed simultaneously at the hour specified on such 126th day. All applications filed thereafter shall be considered in the order of filing.

A veteran shall accompany his application with a complete photostatic, or other copy (both sides), of his certificate of honorable discharge, or of an official document of his branch of the service which shows clearly his honorable discharge as defined in § 181.36 of Title 43 of the Code of Federal Regulations, or constitutes evidence of other facts upon which the claim for preference is based and which shows clearly the period of service. Other persons claiming credit for service of veterans must furnish like proof in support of their claims. Persons asserting preference rights, through settlement or otherwise, and those having equitable claims, shall accompany their applications by duly corroborated statements in support thereof, setting forth in detail all facts relevant to their claims.

Applications for these lands, which shall be filed in the Land and Survey Office, Boise, Idaho, shall be acted upon in accordance with the regulations contained in § 295.8 of Title 43 of the Code of Federal Regulations and Part 296 of that title, to the extent that such regulations are applicable. Applications under the homestead laws shall be governed by the regulations contained in Parts 166 to 170, inclusive, of Title 43 of the Code of Federal Regulations, and applications under the desert-land laws and the said Small Tract Act of June 1, 1938, shall be governed by the regulations contained in Parts 232 and 257, respectively, of that title.

Inquiries concerning these lands shall be addressed to the Manager, Land and Survey Office, Boise, Idaho.

WILLIAM ZIMMERMAN, Jr.,
Associate Director.

[F. R. Doc. 51-7444; Filed, June 28, 1951; 8:54 a. m.]

Geological Survey

MITILIJA, PIRU AND SESPE CREEKS, CALIFORNIA

POWER SITE CLASSIFICATION NO. 414

Pursuant to authority vested in me by the act of March 3, 1879 (20 Stat. 394; 43 U. S. C. 31), and by Departmental Order No. 2333 of June 10, 1947 (43 CFR 4.623; 12 F. R. 4025), the following described land is hereby classified as power sites insofar as title thereto remains in the United States and subject to valid existing rights; and this classification

shall have full force and effect under the provisions of sec. 24 of the act of June 10, 1920, as amended by sec. 211 of the act of August 26, 1935 (16 U. S. C. 818):

SAN BERNARDINO MERIDIAN, CALIFORNIA

T. 5 N., R. 18 W.
Sec. 3, lot 9, S½;
Sec. 4, lots 3, 4, 5, 7, 8, 9, and 10, N½ SW¼, SW¼SW¼, and NW¼SE¼;
Sec. 5, lots 8, and 9, NE¼SW¼, and SE¼;
Sec. 8, NE¼NE¼;
Sec. 9, N½NE¼, SE¼NE¼, N½NW¼, and SE¼SE¼;
Sec. 10, W½NE¼, and S½;
Sec. 11, SE¼;
Sec. 14, NE¼, SE¼NW¼, SW¼, and W½ SE¼;
Sec. 15, W½NE¼, SE¼NE¼, N½NW¼, SW¼NW¼, NW¼SW¼, and SE¼;
Sec. 16, NE¼NE¼, SE¼SW¼, and SW¼ SE¼;
Sec. 21, N½SE¼;
Sec. 22, N½NE¼, SW¼NE¼, N½SW¼, SE¼SW¼, and SE¼;
Sec. 23, N½NW¼;
Sec. 27, lots 1, and 2, NW¼NE¼, and W½NW¼;
Sec. 28, N½SW¼, SW¼SW¼, NE¼SE¼, N½SW¼SE¼, and SW¼SW¼SE¼;
Sec. 32, NE¼NE¼;
Sec. 33, SW¼NW¼.
T. 6 N., R. 18 W.,
Sec. 22, SW¼SW¼;
Sec. 27, W½NW¼, SE¼NW¼, and SW¼;
Sec. 28, SE¼SE¼;
Sec. 33, NE¼;
Sec. 34, N½NW¼, SW¼NW¼, W½SW¼, SE¼SW¼, and SW¼SE¼.
T. 4 N., R. 20 W.,
Sec. 2, lot 5.
T. 5 N., R. 20 W.,
Sec 25, W½SW¼;
Sec. 26, W½SW¼, SE¼SW¼, and NE¼ SE¼;
Sec. 27, NE¼SE¼ and S½SE¼;
Sec. 34, E½;
Sec. 35, W½NE¼, and W½;
Sec. 36, W½W½.
T. 6 N., R. 20 W.,
Sec. 26, SE¼SW¼;
Sec. 27, SE¼NE¼SW¼, and SW¼NW¼ SE¼;
Sec. 28, E½SE¼SE¼;
Sec. 33, NE¼NE¼;
Sec. 36, S½NW¼NW¼, and SW¼SW¼.
T. 6 N., R. 22 W.,
Sec. 32, SE¼NE¼, and NE¼SE¼;
Sec. 33, SW¼SW¼.
T. 5 N., R. 23 W.,
Sec. 2, lot 5;
Sec. 3, lot 2;
Sec. 19, SE¼SE¼;
Sec. 20, S½SW¼;
Sec. 29, SW¼NW¼, and NE¼SW¼.

The area described aggregates 6,897.80 acres.

Dated: June 22, 1951.

THOMAS B. NOLAN,
Acting Director.

[F. R. Doc. 51-7461; Filed, June 28, 1951; 8:49 a. m.]

Office of the Secretary

[Order No. 2642]

HEADS OF BUREAUS OR OFFICES

REDELEGATION OF AUTHORITY TO DISPOSE OF AND TO TRANSFER PERSONAL PROPERTY UNDER THEIR JURISDICTION

JUNE 19, 1951.

SECTION 1. *Authority redelegated.* (a) The authority delegated to the Secretary to dispose of and to transfer personal property excess to the needs of the Department of the Interior, including the authority to donate and to execute transfers and deliveries of donable property, in accordance with the Federal Property and Administrative Services Act of 1949, as amended, and regulations issued thereunder by the Administrator of General Services, is redelegated to the head of each bureau or office with respect to personal property under his jurisdiction.

(b) The authority delegated in paragraph (a) may be further redelegated, in writing, by the head of each bureau or office.

(41 U. S. C., 1946 ed., Supp. III, Sec. 201 et seq.; Reorg. Plan No. 3 of 1950, 15 F. R. 3174; 5 U. S. C., 1946 ed., sec. 22)

OSCAR L. CHAPMAN,
Secretary of the Interior.

[F. R. Doc. 51-7434; Filed, June 28, 1951; 8:57 a. m.]

DEPARTMENT OF AGRICULTURE

Office of the Secretary

SALE OF MINERAL INTERESTS; AREA DESIGNATIONS

Pursuant to authority contained in Public Law 760, 81st Congress (64 Stat. 769), the mineral interests covered by said act and located in (1) the counties listed by States in Schedule A set forth below, are hereby designated as areas in which mineral interests are to be sold for their fair market value, and (2) the counties listed by States in Schedule B set forth below, are hereby designated as areas in which mineral interests covered by a single application are to be sold for a consideration of $1.00.

The Acting Secretary's orders dated January 30, 1951, and February 19, 1951 (16 F. R. 1150, 1774) are hereby superseded.

Done at Washington, D. C. this 26th day of June 1951.

[SEAL] CHARLES F. BRANNAN,
Secretary of Agriculture.

SCHEDULE A—FAIR MARKET VALUE AREAS

(Pub. Law 760, 81st Cong.)

Alabama:
Baldwin.
Barbour.
Bibb.
Blount.
Butler.
Calhoun.
Cherokee.
Chilton.
Choctaw.
Clarke.
Clay.
Cleburne.
Coffee.
Colbert.
Conecuh.
Coosa.
Covington.
Crenshaw.
Cullman.
Dale.
De Kalb.
Escambia.
Etowah.
Fayette.
Franklin.

Alabama—Con.
Geneva.
Greene.
Henry.
Houston.
Jackson.
Jefferson.
Lamar.
Limestone.
Macon.
Marengo.
Marion.
Mobile.
Monroe.
Montgomery.
Pickens.
St. Clair.
Shelby.
Sumter.
Talladega.
Tallapoosa.
Tuscaloosa.
Walker.
Washington.
Wilcox.
Winston.

Arizona:
Cochise.
Maricopa.
Pima.
Pinal.
Yuma.
Arkansas:
Arkansas.
Baxter.
Benton.
Boone.
Bradley.
Calhoun.
Carroll.
Chicot.
Cleburne.
Cleveland.
Conway.
Crawford.
Crittenden.
Drew.
Faulkner.
Franklin.
Grant.
Hempstead.
Jefferson.
Johnson.
Lee.
Lincoln.
Little River.
Logan.
Lonoke.
Madison.
Marion.
Miller.
Monroe.
Montgomery.
Nevada.
Newton.
Ouachita.
Phillips.
Pike.
Poinsett.
Polk.
Pope.
Prairie.
Pulaski.
Saline.
Scott.
Searcy.
Sebastian.
Van Buren.
Washington.
White.
Yell.
California:
Alameda.
Butte.
Colusa.
Contra Costa.
Del Norte.
El Dorado.
Fresno.
Glenn.
Humboldt.
Imperial.
Kings.
Lake.
Lassen.
Los Angeles.
Madera.
Mariposa.
Mendocino.
Merced.
Modoc.
Monterey.
Napa.
Nevada.
Orange.
Placer.
Plumas.
Riverside.
Sacramento.
San Benito.
San Bernardino.
San Diego.
San Joaquin.
San Luis Obispo.
Santa Clara.
Santa Cruz.
Shasta.
Solano.

California—Con.
Sonoma.
Stanislaus.
Sutter.
Tehama.
Tulare.
Ventura.
Yolo.
Yuba.
Colorado:
Adams.
Alamosa.
Arapahoe.
Baca.
Bent.
Chaffee.
Cheyenne.
Conejos.
Costilla.
Crowley.
Custer.
Delta.
Elbert.
El Paso.
Fremont.
Garfield.
Huerfano.
Kiowa.
Kit Carson.
Larimer.
La Plata.
Las Animas.
Lincoln.
Logan.
Mesa.
Moffat.
Montezuma.
Montrose.
Morgan.
Otero.
Ouray.
Phillips.
Prowers.
Pueblo.
Rio Blanco.
Rio Grande.
Routt.
Saguache.
Teller.
Washington.
Weld.
Sedgwick.
Yuma.
Florida:
Columbia.
Jefferson.
Leon.
Madison.
Marion.
Santa Rosa.
Georgia:
Calhoun.
Dooly.
Early.
Elbert.
Grady.
Hancock.
Hart.
Jasper.
Jeff Davis.
Madison.
Oglethorpe.
Putnam.
Ware.
Washington.
Wheeler.
White.
Idaho:
Ada.
Bonneville.
Boundary.
Gem.
Jerome.
Kootenai.
Payette.
Twin Falls.
Illinois:
Adams.
Alexander.
Bond.
Brown.
Bureau.

Illinois—Con.
Calhoun.
Christian.
Coles.
Edgar.
Fayette.
Fulton.
Greene.
Hamilton.
Hancock.
Iroquois.
Jersey.
Jo Daviess.
Johnson.
Kane.
Kankakee.
Lake.
La Salle.
McDonough.
McHenry.
Macon.
Macoupin.
Madison.
Marshall.
Massac.
Monroe.
Montgomery.
Morgan.
Peoria.
Pike.
Pope.
Pulaski.
Randolph.
Rock Island.
St. Clair.
Saline.
Sangamon.
Schuyler.
Scott.
Shelby.
Stephenson.
Tazewell.
Union.
Vermilion.
Wabash.
Washington.
White.
Whiteside.
Will.

Indiana:
Benton.
Crawford.
Daviess.
Decatur.
Dubois.
Fountain.
Gibson.
Greene.
Jasper.
Knox.
Lawrence.
Martin.
Perry.
Pike.
Posey.
Ripley.
Shelby.
Spencer.
Sullivan.
Warrick.

Iowa:
Adams.
Fremont.
Lucas.
Madison.
Mills.
Montgomery.
Pottawattamie.

Kansas:
Allen.
Anderson.
Atchison.
Barton.
Bourbon.
Brown.
Butler.
Chase.
Chautauqua.
Cherokee.
Cheyenne.
Clark.
Clay.
Cloud.
Coffey.
Comanche.
Cowley.
Crawford.
Decatur.
Dickinson.
Douglas.
Edwards.
Elk.
Ellis.
Ellsworth.
Finney.
Ford.
Franklin.
Geary.
Gove.
Graham.
Grant.
Gray.
Greenwood.
Hamilton.
Harper.
Harvey.
Haskell.
Hodgeman.
Jackson.
Jefferson.
Jewell.
Johnson.
Kearney.
Kingman.
Kiowa.
Labette.
Lane.
Leavenworth.
Linn.
Logan.
Lyon.
Marion.
Marshall.
Meade.
Miami.
Mitchell.
Montgomery.
Morris.
Morton.
Nemaha.
Neosho.
Ness.
Norton.
Osage.
Osborne.
Ottawa.
Pawnee.
Phillips.
Pottawatomie.
Rawlins.
Reno.
Republic.
Riley.
Rice.
Rooks.
Rush.
Russell.
Saline.
Scott.
Sedgwick.
Seward.
Shawnee.
Sheridan.
Smith.
Stanton.
Stevens.
Thomas.
Trego.
Wabaunsee.
Wallace.
Washington.
Wichita.
Wilson.
Woodson.
Wyandotte.

Kentucky:
Allen.
Breckenridge.
Butler.
Caldwell.
Christian.
Daviess.
Edmonson.
Grayson.
Hopkins.
Laurel.
Logan.
McLean.
Muhlenberg.
Ohio.
Pike.
Todd.
Trigg.
Union.
Warren.
Webster.

Louisiana:
Avoyelles.
Bienville.
Bossier.
Caldwell.
Claiborne
Concordia.
De Sota.
East Carroll.
Franklin.
Jackson.
Madison.
Morehouse.
Natchitoches.
Plaquemines.
Rapides.
Red River.
Richland.
Sabine.
St. Landry.
Tensas.
Terrebonne.
West Carroll.

Maine:
Knox.
Oxford.
Sagadahoc.
Somerset.

Maryland:
Garrett.

Michigan:
Allegan.
Antrim.
Baraga.
Barry.
Bay.
Berrien.
Calhoun.
Cass.
Charlevoix.
Chippewa.
Clinton.
Delta.
Dickinson.
Emmet.
Genesee.
Gogebic.
Grand Traverse.
Houghton.
Huron.
Ionia.
Iron.
Isabella.
Kalamazoo.
Kalkaska.
Kent.
Lapeer.
Livingston.
Manistee.
Marquette.
Mason.
Mecosta.
Missaukee.
Monroe.
Montcalm.
Muskegon.
Newaygo.
Oceana.
Ogemaw.
Ontonagon.
Osceola.
Otsego.
Ottawa.
Saginaw.
St. Clair.
Shiawassee.
Tuscola.
Van Buren.
Wayne.
Wexford.

Minnesota:
Aitkin.
Beltrami.
Cass.
Crow Wing.
Fillmore.
Hubbard.
Itasca.
Koochiching.
Marshall.
Morrison.
Ottertail.
Pennington.
St. Louis.
Todd.
Traverse.
Wadena.
Wilkin.

Mississippi:
Adams.
Amite.
Attala.
Carroll.
Chickasaw.
Claiborne.
Clarke.
Clay.
Copiah.
Covington.
Forrest.
Franklin.
George.
Greene.
Grenada.
Hinds.
Holmes.
Humphreys.
Issaquena.
Itawamba.
Jackson.
Jasper.
Jefferson.
Jefferson Davis.
Jones.
Kemper.
Lafayette.
Lamar.
Lauderdale.
Lawrence.
Leake.
Lee.
Lincoln.
Madison.
Marion.
Marshall.
Montgomery.
Neshoba.
Newton.
Noxubee.
Oktibbeha.
Panola.
Pearl River.
Perry.
Pike.
Rankin.
Scott.
Sharkey.
Simpson.
Smith.
Stone.
Tallahatchie.
Tate.
Union.
Walthall.
Washington.
Wayne.
Wilkinson.
Yalobusha.
Yazoo.

Missouri:
Adair.
Atchison.
Audrain.
Barry.
Barton.
Bates.
Benton.
Bollinger.
Boone.
Butler.
Caldwell.
Callaway.
Carroll.
Cass.
Christian.
Clark.
Clay.
Clinton.
Cole.
Cooper.
Crawford.
Dade.
Daviess.
De Kalb.
Franklin.
Gentry.
Greene.
Harrison.
Henry.
Hickory.
Holt.
Howell.
Iron.
Jasper.
Johnson.
Knox.
Laclede.
Lawrence.
Lewis.
Linn.
Livingston.
McDonald.
Macon.
Maries.
Mercer.
Miller.
Moniteau.
Monroe.
Morgan.
Newton.
Nodaway.
Osage.
Pemiscot.
Perry.
Pettis.
Platte.
Putnam.
Ralls.
Randolph.
Ray.
Ripley.
St. Clair.
St. Francois
Ste. Genevieve.
Schuyler.
Scotland.
Stoddard.
Sullivan.
Vernon.
Warren.
Washington.
Wayne.
Worth.

Montana:
Big Horn.
Blaine.
Carbon.
Carter.
Cascade.
Chouteau.
Custer.
Daniels.
Dawson.
Fallon.
Fergus.
Gallatin.
Garfield.
Golden Valley.
Hill.
Judith Basin.
Liberty.
Lincoln.
McCone.
Petroleum.
Phillips.
Pondera.
Powder River.
Prairie.
Ravalli.
Richland.
Roosevelt.
Rosebud.
Sanders.
Sheridan.
Stillwater.
Sweetgrass.
Teton.
Toole.
Treasure.
Valley.
Wibaux.
Yellowstone.

Nebraska:
Banner.
Blaine.
Box Butte.
Brown.
Buffalo.
Burt.
Cass.
Chase.
Cherry.
Cheyenne.
Dawes.
Dawson.
Deuel.
Dundy.
Fillmore.
Franklin.
Frontier.
Furnas.
Garden.
Gosper.
Hall.
Harlan.
Hayes.
Hitchcock.
Jefferson.
Kearney.
Keith.
Kimball.
Lancaster.
Lincoln.
Logan.
McPherson.
Morrill.
Otoe.
Perkins.
Phelps.
Redwillow.
Richardson.
Saunders.
Scottsbluff.
Seward.
Sheridan.
Sherman.
Sioux.
Thomas.
Thurston.
Wheeler.

Nevada:
Churchill.
Lyon.
Pershing.
White Pine.

New Mexico:
Colfax.
Curry.
Debaca.
Dona Ana.
Grant.
Harding.
Guadalupe.
Quay.
Roosevelt.
San Miguel.
Union.
Valencia.

New York:
Allegany.
Cortland.
Jefferson.
Lewis.
Oneida.
Schuyler.
St. Lawrence.
Tompkins.

North Carolina:
Beaufort.
Bladen.
Chatham.
Clay.
Henderson.
Jones.
McDowell.
Onslow.
Randolph.
Tyrrell.
North Dakota:
Adams.
Barnes.
Benson.
Billings.
Bottineau.
Bowman.
Burke.
Burleigh.
Cass.
Cavalier.
Dickey.
Divide.
Dunn.
Eddy.
Emmons.
Foster.
Golden Valley.
Grand Forks.
Griggs.
Hettinger.
Kidder.
La Moure.
Logan.
McHenry.
McIntosh.
McKenzie.
McLean.
Mercer.
Morton.
Mountrail.
Nelson.
Oliver.
Pembina.
Pierce.
Ramsey.
Ransom.
Renville.
Richland.
Rolette.
Sargent.
Sheridan.
Sioux.
Slope.
Stark.
Steele.
Stutsman.
Towner.
Traill.
Walsh.
Ward.
Wells.
Williams.
Ohio:
Belmont.
Gallia.
Guernsey.
Hardin.
Holmes.
Licking.
Lorain.
Meigs.
Monroe.
Oklahoma:
Atoka.
Beaver.
Beckham.
Blaine.
Bryan.
Caddo.
Canadian.
Carter.
Cherokee.
Cimarron.
Comanche.
Craig.
Creek.
Custer.
Dewey.
Ellis.
Oklahoma—Con.
Garvin.
Grant.
Grady.
Greer.
Harmon.
Harper.
Haskell.
Hughes.
Jackson.
Jefferson.
Johnson.
Kay.
Kiowa.
Latimer.
Le Flore.
Lincoln.
Logan.
Love.
Major.
Marshall.
Mayes.
McClain.
McIntosh.
Murray.
Muskogee.
Noble.
Nowata.
Okmulgee.
Osage.
Ottawa.
Pawnee.
Payne.
Pittsburg.
Pontotoc.
Pottawatomie.
Roger Mills.
Rogers.
Sequoyah.
Stephens.
Texas.
Tillman.
Tulsa.
Wagoner.
Washington.
Washita.
Woods.
Woodward.
Oregon:
Deschutes.
Douglas.
Grant.
Jackson.
Jefferson.
Josephine.
Lane.
Malheur.
Pennsylvania:
Armstrong.
Blair.
Bradford.
Centre.
Crawford.
Fayette.
Huntingdon.
Lycoming.
Northampton.
Perry.
Tioga.
Union.
Warren.
Wyoming.
South Carolina:
Aiken.
Allendale.
Bamberg.
Florence.
Greenville.
Laurens.
Lexington.
Orangeburg.
Spartanburg.
South Dakota:
Brule.
Butte.
Campbell.
Corson.
Custer.
Dewey.
Edmunds.
Fall River.
Faulk.
South Dakota—Con.
Haakon.
Hand.
Harding.
Hughes.
Hyde.
Jackson.
Jones.
Lawrence.
Lyman.
McPherson.
Meade.
Pennington.
Perkins.
Potter.
Spink.
Stanley.
Walworth.
Ziebach.
Tennessee:
Carroll.
Chester.
Fentress.
Hardeman.
Henderson.
Henry.
Houston.
Madison.
Marion.
Putnam.
Robertson.
Wayne.
Texas:
Anderson.
Andrews.
Angelina.
Armstrong.
Atascosa.
Bastrop.
Bell.
Bexar.
Blanco.
Bosque.
Bowie.
Brazos.
Briscoe.
Brown.
Burnet.
Caldwell.
Callahan.
Cameron.
Camp.
Carson.
Cass.
Castro.
Cherokee.
Childress.
Cochran.
Coke.
Collin.
Collingsworth.
Comal.
Comanche.
Cooke.
Coryell.
Cottle.
Crosby.
Dallam.
Dallas.
Dawson.
Deaf Smith.
Delta.
Denton.
De Witt.
Dickens.
Dimmitt.
Donley.
Eastland.
Ellis.
Erath.
Falls.
Fannin.
Fayette.
Floyd.
Freestone.
Garza.
Gillespie.
Gonzales.
Gray.
Grayson.
Grimes.
Guadalupe.
Texas—Con.
Hale.
Hall.
Hamilton.
Hardeman.
Harris.
Harrison.
Hartley.
Haskell.
Hays.
Hemphill.
Henderson.
Hidalgo.
Hill.
Hockley.
Hood.
Hopkins.
Houston.
Hudspeth.
Hunt.
Hutchinson.
Jasper.
Jim Wells.
Johnson.
Jones.
Karnes.
Kaufman.
Kent.
Knox.
Lamar.
Lamb.
LaSalle.
Lavaca.
Lee.
Leon.
Limestone.
Lipscomb.
Lubbock.
Lynn.
McLennan.
Madison.
Matagorda.
Medina.
Milam.
Mills.
Mitchell.
Moore.
Morris.
Motley
Nacogdoches.
Navarro.
Newton.
Nolan.
Nueces.
Oldham.
Panola.
Parmer.
Polk.
Presidio.
Rains.
Randall.
Red River.
Reeves.
Roberts.
Robertson.
Rockwall.
Runnels.
Sabine.
San Augustine.
San Jacinto.
San Patricio.
San Saba.
Scurry.
Shelby.
Sherman.
Smith.
Stonewall.
Swisher.
Tarrant.
Taylor.
Travis.
Trinity.
Tyler.
Upshur.
Uvalde.
Van Zandt.
Walker.
Washington.
Wheeler.
Wichita.
Wilbarger.
Texas—Con.
Williams.
Wilson.
Wise.
Wood.
Zavala.
Utah:
Box Elder.
Daggett.
Davis.
Duchesne.
Emery.
Garfield.
Iron.
Juab.
Millard.
Piute.
Rich.
Salt Lake.
Sanpete.
Sevier.
Summit.
Tooele.
Uintah.
Utah.
Wasatch.
Virginia:
Giles.
Montgomery.
Page.
Rockbridge.
Rockingham.
Tazewell.
Washington:
Benton.
Chelan.
Clallam.
Clark.
Grays Harbor.
King.
Kitsap.
Washington—Con.
Kittitas.
Lewis.
Skagit.
Snohomish.
Spokane.
Stevens.
Thurston.
Whatcom.
Yakima.
West Virginia:
Mason.
Mineral.
Wisconsin:
Ashland.
Door.
Florence.
Grant.
Iowa.
Iron.
Jackson.
Lafayette.
Wyoming:
Albany.
Big Horn.
Campbell.
Carbon.
Converse.
Crook.
Fremont.
Goshen.
Hot Springs.
Johnson.
Laramie.
Niobrara.
Platte.
Sheridan.
Sweetwater.
Uinta.
Weston.
Territory of Hawaii.

SCHEDULE B—ONE DOLLAR AREAS
(Pub. Law 760, 81st Cong.)

Alabama:
Autauga.
Bullock.
Chambers.
Dallas.
Elmore.
Hale.
Lauderdale.
Lawrence.
Lee.
Lowndes.
Madison.
Marshall.
Morgan.
Perry.
Pike.
Randolph.
Russell.
Arkansas:
Clark.
Clay.
Desha.
Fulton.
Greene.
Howard.
Izard.
Jackson.
Lawrence.
Mississippi.
Perry.
Randolph.
Sharp.
St. Francis.
Stone.
Florida:
De Sota.
Indian River.
Okaloosa.
Georgia:
Barrow.
Bleckley.
Bullock.
Burke.
Butts.
Candler.
Carroll.
Chattooga.
Georgia—Con.
Coweta.
Dougherty.
Dodge.
Fulton.
Greene.
Gwinnett.
Harris.
Henry.
Irwin.
Jackson.
Jefferson.
Jenkins.
Johnson.
Laurens.
Lee.
Lowndes.
Macon.
Meriwether.
Miller.
Mitchell.
Morgan.
Oconee.
Peach.
Pike.
Pulaski.
Randolph.
Screven.
Seminole.
Spalding.
Stewart.
Sumter.
Taliaferro.
Terrell.
Tift.
Troup.
Turner.
Warren.
Wilkes.
Worth.
Illinois:
Cass.
Champaign.
Henderson.
Mason.
Idaho:
Canyon.
Minidoka.

Indiana:
Brown.
Elkhart.
Warren.
Tippecanoe.
Iowa:
Adair.
Case.
Clarke.
Decatur.
Iowa.
Kossuth.
Page.
Palo Alto.
Ringgold.
Sioux.
Union.
Woodbury.
Wright.
Kansas:
Doniphan.
Greeley.
Lincoln.
Sherman.
Louisiana:
Ascension.
Beauregard.
Caddo.
Calcasieu.
E. Baton Rouge.
Labourche.
Livingston.
Webster.
Maine:
Androscoggin.
Cumberland.
Franklin.
Hancock.
Kennebec.
Lincoln.
Penobscot.
Piscataquis.
Waldo.
Washington.
Massachusetts:
Plymouth.
Worcester.
Michigan:
Alcona.
Alger.
Alpena.
Benzie.
Branch.
Cheboygan.
Eaton.
Hillsdale.
Ingham.
Iosco.
Jackson.
Leelanau.
Lenawee.
Mackinac.
Macomb.
Menominee.
Oakland.
St. Joseph.
Sanilac.
Schoolcraft.
Minnesota:
Anoka.
Becker.
Benton.
Big Stone.
Blue Earth.
Brown.
Carlton.
Carver.
Chippewa.
Chisago.
Clay.
Clearwater.
Cottonwood.
Dakota.
Dodge.
Douglas.
Freeborn.
Goodhue.
Grant.
Hennepin.
Houston.
Isanti.
Minnesota—Con.
Jackson.
Kanabec.
Kandiyohi.
Kittson.
Lac Qui Parle.
La Sueur.
Lincoln.
Lyon.
McLeod.
Mahnomen.
Meeker.
Mille Lacs.
Mower.
Murray.
Norman.
Olmstead.
Pine.
Pipestone.
Polk.
Pope.
Ramsey.
Red Lake.
Redwood.
Renville.
Rice.
Rock.
Roseau.
Scott.
Sherburne.
Sibley.
Stearns.
Steele.
Stevens.
Swift.
Wabasha.
Waseca.
Washington.
Winona.
Wright.
Yellow Medicin
Mississippi:
Alcorn.
Benton.
Bolivar.
Calhoun.
Choctaw.
Coahoma.
Lowndes.
Monroe.
Pontotoc.
Prentiss.
Quitman.
Sunflower.
Tippah.
Tishomingo.
Tunica.
Webster.
Winston.
Missouri:
Andrew.
Buchanan.
Camden.
Cedar.
Chariton.
Dallas.
Dent.
Douglas.
Dunklin.
Lincoln.
Marion.
Mississippi.
New Madrid.
Pike.
Polk.
Pulaski.
Scott.
Shannon.
Shelby.
Stone.
Taney.
Texas.
Webster.
Wright.
Montana:
Lake.
New York:
Cayuga.
Chenango.
Delaware.
Madison.
Onondaga.
New York—Con.
Ontario.
Oswego.
Schoharie.
Seneca.
Nebraska:
Adams.
Antelope.
Boone.
Boyd.
Butler.
Cedar.
Clay.
Colfax.
Cuming.
Custer.
Dakota.
Dixon.
Dodge.
Douglas.
Gage.
Garfield.
Greeley.
Hamilton.
Holt.
Howard.
Johnson.
Keya Paha.
Knox.
Madison.
Nance.
Nemaha.
Nuckolls.
Pawnee.
Pierce.
Platte.
Polk.
Rock.
Sarpy.
Stanton.
Thayer.
Valley.
Washington.
Wayne.
Webster.
York.
North Carolina:
Alleghany.
Anson.
Columbus.
Craven.
Duplin.
Greene.
Halifax.
Harnett.
Hoke.
Iredell.
Johnston.
Moore.
Northampton.
Pamlico.
Pender.
Richmond.
Robeson.
Rutherford.
Sampson.
Stokes.
Wake.
Washington.
Wayne.
Wilkes.
Wilson.
North Dakota.
Ohio:
Crawford.
Fayette.
Logan.
Madison.
Marion.
Pickaway.
Ross.
Union.
Washington.
Oklahoma:
Choctaw.
Delaware.
McCurtain.
Oregon:
Clackamas.
Columbia.
Polk.
Oregon—Con.
Washington.
Yamhill.
Pennsylvania:
Cumberland.
South Carolina:
Abbeville.
Anderson.
Barnwell.
Calhoun.
Chester.
Chesterfield.
Clarendon.
Darlington.
Edgefield.
Fairfield.
Greenwood.
Lancaster.
Lee.
Newberry.
Richland.
Saluda.
Sumter.
Union.
South Dakota:
Aurora.
Beadle.
Bennett.
Bon Homme.
Brookings.
Brown.
Buffalo.
Charles Mix.
Clark.
Clay.
Davison.
Day.
Deuel.
Douglas.
Grant.
Gregory.
Hanson.
Hutchinson.
Jerauld.
Kingsburg.
Lake.
McCook.
Mellette.
Miner.
Minnehaha.
Moody.
Roberts.
Sanborn.
Shannon.
Sully.
Todd.
Tripp.
Washbaugh.
Yankton.
Tennessee:
Clay.
Crockett.
Gibson.
Greene.
Haywood.
Lawrence.
Virginia:
Caroline.
Essex.
King George.
King & Queen.
King William.
Madison.
Orange.
Pittsylvania.
Rappahannock.
Southampton.
Spotsylvania.
Wisconsin:
Adams.
Barron
Bayfield.
Brown.
Buffalo.
Burnett.
Calumet.
Chippewa.
Clark.
Columbia.
Crawford.
Dane.
Dodge.
Wisconsin—Con.
Douglas.
Dunn.
Eau Claire.
Fond du Lac.
Forest.
Green.
Green Lake.
Jefferson.
Juneau.
Kenosha.
Kewaunee.
La Crosse.
Langlade.
Lincoln.
Manitowoc.
Marathon.
Marinette.
Marquette.
Monroe.
Oconto.
Oneida.
Outagamie.
Ozaukee.
Pepin.
Pierce.
Polk.
Wisconsin—Con.
Portage.
Price.
Racine.
Richland.
Rock.
Rusk.
St. Croix.
Sauk.
Sawyer.
Shawano.
Sheboygan.
Taylor.
Trempealeau.
Vernon.
Vilas.
Walworth.
Washburn.
Washington.
Waukesha.
Waupaca.
Waushara.
Winnebago.
Wood.
Utah:
Cache.
Morgan.

[F. R. Doc. 51-7482; Filed, June 28, 1951; 8:46 a. m.]

ECONOMIC STABILIZATION AGENCY

Office of Price Stabilization

[Ceiling Price Regulation 7, Section 43, Special Order 101]

BENRUS WATCH COMPANY, INC.

CEILING PRICES AT RETAIL

Statement of considerations. In accordance with section 43 of Ceiling Price Regulation 7, the applicant named in the accompanying special order, Benrus Watch Company, Inc., 200 Hudson Street, New York 13, New York, has applied to the Office of Price Stabilization for maximum resale prices for retail sales of certain of its articles. Applicant has submitted the information required under this section and has produced evidence which in the judgment of the Director indicates that the applicant has complied with other stated requirements.

The Director has determined on the basis of information available to him, including the data and certified conclusions of fact submitted by the applicant, that the retail ceiling prices requested and which are established by this special order are no higher than the level of ceiling prices under Ceiling Price Regulation 7.

The special order contains provisions requiring each article to be marked by the applicant with the retail ceiling price established by the accompanying special order. The applicant is required to send purchasers of the articles a copy of this special order, a notice listing retail ceiling prices for each cost line and, in specified cases, of subsequent amendments of this special order.

The special order also requires applicant to file with the Distribution Price Branch regular reports setting forth the number of units of each article covered by this special order which applicant has delivered during the reporting period. This requirement conforms with the provisions of section 43, Ceiling Price Regulation 7.

Special provisions. For the reasons set forth in the statement of considerations and pursuant to section 43 of Ceiling Price Regulation 7, this special order is hereby issued.

1. The ceiling prices for sales at retail of men's and women's wristwatches, pocket watches, watch bracelets, and women's watch and costume jewelry sets manufactured by Benrus Watch Company, Inc., 200 Hudson Street, New York 13, New York, having the brand name(s) "Benrus" shall be the proposed retail ceiling prices listed by Benrus Watch Company, Inc., in its application dated April 19, 1951, and filed with the Office of Price Stabilization, Washington 25, D. C. A list of such ceiling prices will be filed by the Office of Price Stabilization with the FEDERAL REGISTER as an appendix to this special order as soon as practicable. On and after the date of receipt of a copy of this special order, with notice of prices annexed, but in no event later than September 1, 1951, no seller at retail may offer or sell any article covered by this special order at a price higher than the ceiling price established by this special order. Sales may, of course, be made at less than the ceiling prices.

2. The retail ceiling price of an article fixed by paragraph 1 of this special order shall apply to any other article of the same type which is otherwise priceable under Ceiling Price Regulation 7 by retailers subject to that regulation, having the same selling price and terms of sale to the retailer, the same brand or company name and first sold by the manufacturer after the effective date of this special order.

3. On and after August 2, 1951, Benrus Watch Company, Inc. must mark each article for which a ceiling price has been established in paragraph 1 of this special order with the retail ceiling price under this special order, or attach to the article a label, tag or ticket stating the retail ceiling price. This mark or statement must be in the following form:

OPS—Sec. 43—CPR 7
Price $_____

On and after September 1, 1951, no retailer may offer or sell the article unless it is marked or tagged in the form stated above. Prior to September 1, 1951, unless the article is marked or tagged in this form, the retailer shall comply with the marking, tagging, and posting provisions of the regulation which would apply in the absence of this special order.

Upon issuance of any amendment to this special order which either adds an article to those already listed in the manufacturer's application or changes the retail ceiling price of a listed article, the applicant named in this special order must comply, as to each such article, with the preticketing requirements of this paragraph within 30 days after the effective date of the amendment. After 60 days from the effective date, no retailer may offer or sell the article unless it is ticketed in accordance with the requirements of this paragraph. Prior to the expiration of the 60-day period, unless the article is so ticketed, the retailer shall comply with the marking, tagging, and posting provisions of the regulation which would apply in the absence of this special order.

4. Within 15 days after the effective date of this special order, the manufacturer shall send a copy of this special order to each purchaser for resale to whom, within two months immediately prior to the effective date, the manufacturer had delivered any article covered in paragraph 1 of this special order. Copies shall also be sent to all other purchasers on or before the date of the first delivery of any such article subsequent to the effective date of this special order, and shall be accompanied by copies of each amendment thereto (if any) issued prior to the date of the delivery. The manufacturer shall annex to the special order a notice, listing the cost and discount terms to retailers for each article covered by this special order and the corresponding retail ceiling price fixed by this special order for an article of that cost. The notice shall be in substantially the following form:

(Column 1)	(Column 2)
Our price to retailers	Retailer's ceilings for articles of cost listed in column 1.
$_____ per _____{unit / dozen / etc.}	Terms {net / percent EOM. / etc.} $_____

Within 15 days after the effective date of this special order, two copies of this notice must also be filed by the manufacturer with the Distribution Price Branch, Consumer Soft Goods Division, Office of Price Stabilization, Washington 25, D. C. Within 15 days after the effective date of any subsequent amendment to this special order, the manufacturer shall send a copy of the amendment to each purchaser to whom, within 2 months immediately prior to the effective date of such amendment, the manufacturer had delivered any article the sale of which is affected in any manner by the amendment.

5. Within 45 days of the expiration of the first 6 months period following the effective date of this special order and within 45 days of the expiration of each successive 6 months period, the manufacturer shall file with the Distribution Price Branch, Office of Price Stabilization, Washington 25, D. C., a report setting forth the number of units of each article covered by this special order which he has delivered in that 6 months period.

6. The provisions of this special order establish the ceiling price for sales at retail of the articles covered by it regardless of whether the retailer is otherwise subject to Ceiling Price Regulation 7 or any other regulation.

7. This special order or any provision thereof may be revoked, suspended, or amended by the Director of Price Stabilization at any time.

8. The provisions of this special order are applicable to the United States and the District of Columbia.

Effective date. This special order shall become effective June 28, 1951.

MICHAEL V. DISALLE,
Director of Price Stabilization.

JUNE 27, 1951.

[F. R. Doc. 51-7532; Filed, June 27, 1951; 8:54 p. m.]

REGIONAL AND DISTRICT BOUNDARIES

ORGANIZATIONAL STATEMENT

The field organization of the Office of Price Stabilization of the Economic Stabilization Agency, established pursuant to the Defense Production Act of 1950 (Pub. Law 774, 81st Cong.), and Executive Order 10161 (15 F. R. 6105) as published in the FEDERAL REGISTER dated February 2, 1951 (16 F. R. 987), and as amended March 3, 1951 (16 F. R. 2028), April 20, 1951 (16 F. R. 3444), May 12, 1951 (16 F. R. 4476), and June 21, 1951 (16 F. R. 5959) is further amended as follows:

REGIONAL BOUNDARIES

Region II, New York, New York. The regional boundaries of Region II, heretofore encompassing the States of New York and New Jersey, now encompass the State of New York and the State of New Jersey north of the southern boundaries of Burlington and Ocean Counties.

Region III, Philadelphia, Pennsylvania. The regional boundaries of Region III, heretofore encompassing the States of Pennsylvania and Delaware, now encompass the States of Pennsylvania and Delaware and the State of New Jersey south of the southern boundaries of Burlington and Ocean Counties.

Region IV, Richmond, Virginia. The regional boundaries of Region IV heretofore encompassing the States of Maryland, North Carolina, Virginia, West Virginia and the District of Columbia, now encompass the States of Maryland, North Carolina, Virginia, West Virginia, the District of Columbia and the State of Tennessee east of the western boundaries of Sullivan and Washington Counties.

Region V, Atlanta, Georgia. The regional boundaries of Region V, heretofore encompassing the States of Alabama, Florida, Georgia, Mississippi, South Carolina, and Tennessee, now encompass the States of Alabama, Florida, Georgia, Mississippi, South Carolina, and Tennessee west of the western boundaries of Sullivan and Washington Counties.

Region VII, Chicago, Illinois. The regional boundaries of Region VII, heretofore encompassing the States of Illinois, Indiana, and Wisconsin, now encompass the State of Illinois, except St. Clair and Madison Counties, the State of Indiana and the State of Wisconsin, except Douglas County.

Region VIII, Minneapolis, Minnesota. The regional boundaries of Region VIII, heretofore encompassing the States of Minnesota, North Dakota, South Dakota, and Montana, now encompass the States of Minnesota, North Dakota, South Dakota, Montana, and Douglas County, Wisconsin.

Region IX, Kansas City, Missouri. The regional boundaries of Region IX, heretofore encompassing the States of Iowa, Kansas, Missouri, and Nebraska, now encompass the States of Iowa, Kansas, Missouri, Nebraska, and St. Clair and Madison Counties, Illinois.

DISTRICT BOUNDARIES

Region X, Dallas, Texas. The counties of Kent, Surry and Mitchell, Texas, heretofore serviced by the Fort Worth District Office, will now be serviced by the Lubbock District Office.

The County of Shelby, Texas, heretofore serviced by the Houston District Office, will now be serviced by the Dallas District Office.

MICHAEL V. DISALLE,
Director of Price Stabilization.

JUNE 28, 1951.

[F. R. Doc. 51-7583; Filed, June 28, 1951; 10:52 a. m.]

DEPARTMENT OF LABOR

Office of the Secretary

CERTIFICATION TO DIRECTOR OF DIVISION OF EMPLOYMENT AND SECURITY OF MINNESOTA REGARDING REDUCED RATES OF CONTRIBUTIONS

The Division of Employment and Security of the State of Minnesota having duly submitted to the Secretary of Labor, pursuant to the provisions of section 1602 (b) (3) of the Internal Revenue Code, as amended, the Minnesota Employment and Security Law; and

The Secretary of Labor having considered the provisions of said law to determine whether or not reduced rates of contributions are allowable thereunder under conditions fulfilling the requirements of section 1602 of the Internal Revenue Code;

The Secretary of Labor hereby finds that:

(1) Said law provides for a pooled fund as defined in section 1602 (c) (2) of the Internal Revenue Code; and

(2) Reduced rates of contributions under said law to such pooled fund are allowable only in accordance with the provisions of section 1602 (a) (1) of the Internal Revenue Code.

Pursuant to the provisions of section 1602 (b) (3) of the Internal Revenue Code, the Secretary of Labor hereby directs that the foregoing findings be certified to the Director of the Division of Employment and Security of the State of Minnesota.

Signed at Washington, D. C., this 25th day of June, 1951.

MICHAEL J. GALVIN,
Acting Secretary of Labor.

[F. R. Doc. 51-7462; Filed, June 28, 1951; 8:49 a. m.]

FEDERAL POWER COMMISSION

[Docket No. G-1714]

PANHANDLE EASTERN PIPE LINE CO.

NOTICE OF APPLICATION

JUNE 25, 1951.

Take notice that on June 15, 1951, Panhandle Eastern Pipe Line Company (Applicant), a Delaware corporation with its principal office at Kansas City, Missouri, filed an application in the alternative seeking (a) a disclaimer by the Commission of jurisdiction or (b) a certificate of public convenience and necessity, pursuant to section 7 of the Natural Gas Act, as amended, authorizing the construction and operation of the following described natural-gas facilities:

1. Approximately 3 miles of 6-inch lateral pipeline from Applicant's main line to Defiance, Ohio, town border.
2. Approximately 3 miles of 4-inch lateral pipeline from the town border station in (1) above to the General Motors plant in Defiance.
3. Main Line regulator station.
4. Town Border Station at Defiance, Ohio: (a) Measuring station for Glass Fibers; (b) Regulator station for General Motors; (c) Measuring station for Toledo Edison.
5. Measuring station at General Motors plant.

Applicant proposes to construct and operate the described facilities for the purpose of selling natural gas to Glass Fibers, Inc., and General Motors Corporation in accordance with the terms of industrial sales contracts executed by the parties, dated March 8 and January 18, 1951, respectively, and for the purpose of increasing the volumes of gas delivered to Toledo Edison for resale to ultimate consumers in Defiance, Ohio. Deliveries are not to exceed 3,000 Mcf daily to Glass Fibers and 2,500 Mcf daily to General Motors.

The application recites that the 6-inch lateral to be constructed by Applicant will be used for the delivery of natural gas to The Toledo Edison Company and for the delivery of gas to the named industries. Toledo Edison now serves Glass Fibers, and General Motors has no gas service. Applicant states Toledo Edison has no objection to Panhandle's taking over service to Glass Fibers and making the proposed deliveries to General Motors.

The estimated cost of the facilities proposed to be constructed is approximately $148,300 of which $104,430 will be incurred and financed from current funds of Applicant. Approximately 3-miles of 4-inch connecting pipeline will be constructed and operated by Applicant, but the construction cost will be borne by General Motors. Glass Fibers will construct and operate 1.4 miles of 6-inch pipeline extending from the Town Border Station to its plant site.

Protests or petitions to intervene may be filed with the Federal Power Commission, Washington 25, D. C., in accordance with the rules of practice and procedure (18 CFR 1.8 or 1.10) on or before the 13th day of July 1951. The application is on file with the Federal Power Commission for public inspection.

LEON M. FUQUAY,
Secretary.

[F. R. Doc. 51-7452; Filed, June 28, 1951; 8:51 a. m.]

[Docket No. G-1715]

PANHANDLE EASTERN PIPE LINE CO.

NOTICE OF APPLICATION

JUNE 25, 1951.

Take notice that on June 15, 1951, Panhandle Eastern Pipe Line Company (Applicant), a Delaware corporation with its principal office at Kansas City, Missouri, filed an application in the alternative seeking (a) a disclaimer by the Commission of jurisdiction or (b) a certificate of public convenience and necessity, pursuant to section 7 of the Natural Gas Act, as amended, authorizing the construction and operation of the following described natural-gas facilities:

Physical connection, measuring and regulating station, and appurtenant facilities at the point of connection of the City of Jacksonville's proposed pipeline with Applicant's Jacksonville lateral.

Applicant proposes to construct and operate the described facilities for the purpose of making sales of natural gas to the City of Jacksonville, Illinois, on a "dump" basis in accordance with the terms of a contract with the City, dated February 15, 1951, of volumes not to exceed 1,000 Mcf daily, for a primary contract period of seven (7) years, at a price of 28 cents per Mcf, renegotiable as to price at the end of the third and fifth years of the said contract.

The application recites that Applicant will have available from time to time quantities of natural gas for sale on a "dump" basis, which the City is desirous of purchasing for use as fuel in its electric generating plant. The City will construct and operate approximately 4,112 feet of 4-inch I. D. pipeline from its electric generating plant to the measuring and regulating station to be constructed by Applicant on its existing 8-inch I. D. Jacksonville lateral.

The estimated cost of the facilities proposed to be constructed by Applicant is approximately $6,425, which will be financed out of current funds on hand.

Protests or petitions to intervene may be filed with the Federal Power Commission, Washington 25, D. C., in accordance with the rules of practice and procedure (18 CFR 1.8 or 1.10) on or before the 13th day of July 1951. The application is on file with the Federal Power Commission for public inspection.

LEON M. FUQUAY,
Secretary.

[F. R. Doc. 51-7453; Filed, June 28, 1951; 8:51 a. m.]

[Docket No. E-6358]

MISSOURI PUBLIC SERVICE CO.

NOTICE OF ORDER AUTHORIZING AND APPROVING MERGER OR CONSOLIDATION OF CERTAIN FACILITIES

JUNE 26, 1951.

Notice is hereby given that, on June 22, 1951, the Federal Power Commission issued its order entered June 21, 1951, in the above-entitled matter, authorizing and approving merger or consolidation of certain facilities, of Missouri Power & Light Company, by Missouri Public Service Company.

[SEAL] LEON M. FUQUAY,
Secretary.

[F. R. Doc. 51-7455; Filed, June 28, 1951; 8:51 a. m.]

[Docket No. E-6359]

IOWA PUBLIC SERVICE CO.

NOTICE OF ORDER AUTHORIZING ISSUANCE OF BONDS

JUNE 26, 1951.

Notice is hereby given that, on June 22, 1951, the Federal Power Commission issued its order entered June 21, 1951, authorizing issuance of bonds in the above-entitled matter.

[SEAL] LEON M. FUQUAY,
Secretary.

[F. R. Doc. 51-7454; Filed, June 28, 1951; 8:51 a. m.]

HOUSING AND HOME FINANCE AGENCY

Public Housing Administration

DESCRIPTION OF AGENCY AND PROGRAMS AND FINAL DELEGATIONS OF AUTHORITY

CENTRAL OFFICE

Section II, *Central Office organization and final delegations of authority to Central Office officials*, is amended as follows:

Paragraph II j 1 is amended as follows:

1. The authority delegated to the Assistant Commissioner for Management in paragraph b 1 (b), (c), and (d), is hereby delegated to the Assistant Commissioner for Low-Rent Housing, and in addition, effective June 15, 1951, the Assistant Commissioner for Low-Rent Housing shall hear and determine appeals from actions of the Field Office Directors and Assistant Directors for Development in connection with applications for authorization to commence construction, pursuant to section 6 of NPA Order M–4, and in connection with applications for adjustment or exception based upon a claim of unreasonable hardship, or upon a claim that prohibition of the construction is not in the interest of national defense, pursuant to section 11 of NPA Order M–4.

Date approved: June 20, 1951.

JOHN TAYLOR EGAN,
Commissioner.

[F. R. Doc. 51–7435; Filed, June 28, 1951; 8:58 a. m.]

DESCRIPTIONS OF AGENCY AND PROGRAMS AND FINAL DELEGATIONS OF AUTHORITY

FIELD ORGANIZATION

Section III. *Field organization and final delegations of authority*, is amended as follows:

Subparagraph 12 is added to paragraph III b, as follows:

12. Effective June 15, 1951, pursuant to NPA Order M–4 and NPA Delegation 14, to exercise that authority (exclusive of action on appeals) delegated to me by the Administrator of the Housing and Home Finance Agency, effective June 15, 1951, which authority was delegated to the Administrator of the Housing and Home Finance Agency by Delegation 14 of the NPA (16 F. R. 5401). This delegation is with respect to the multi-unit residential and related construction by Federal, State, and Local Public Agencies, except with respect to such construction by an educational institution, or to such construction to be assisted by mortgage or loan insurance under the National Housing Act or to such construction under the control of the Atomic Energy Commission, or housing on military reservations. This authority is:

(a) To receive, to consider, pass upon, and to take action in his own name, upon applications for authorization to commence construction, pursuant to section 6 of NPA Order M–4;

(b) To receive, consider, pass upon, and take action in his own name, upon applications for adjustment or exception based upon a claim of unreasonable hardship, or upon the claim that prohibition of the construction is not in the interest of national defense, pursuant to section 11 of NPA Order M–4.

Paragraph j is added to section III, as follows:

j. *Delegation of authority to Assistant Director for Development.* 1. Effective June 15, 1951, pursuant to NPA Order M–4 and NPA Delegation 14 there is hereby delegated to the Assistant Director for Development in each Field Office that authority (exclusive of action on appeals) delegated to me by the Administrator of Housing and Home Finance Agency effective June 15, 1951, which authority was delegated to the Administrator of the Housing and Home Finance Agency by Directive 14 of the National Production Authority (16 F. R. 5401). This delegation is with respect to multi-unit residential and related construction by Federal, State, and Local Public Agencies, except with respect to such construction by an educational institution, or to such construction to be assisted by mortgage or loan insurance under the National Housing Act or to such construction under the control of the Atomic Energy Commission, or housing on military reservations. This authority is:

(a) To receive, consider, pass upon, and take action in his own name, upon applications for authorization to commence construction, pursuant to Section 6 of NPA Order M–4;

(b) To receive, consider, pass upon and take action in his own name, upon applications for adjustment or exception based upon a claim of unreasonable hardship, or upon a claim that prohibition of the construction is not in the interest of the national defense, pursuant to section 11 of NPA Order M–4.

Date approved: June 20, 1951.

JOHN TAYLOR EGAN,
Commissioner.

[F. R. Doc. 51–7485; Filed, June 28, 1951; 8:59 a. m.]

INTERSTATE COMMERCE COMMISSION

[4th Sec. Application 26197]

MOTOR-RAIL-MOTOR RATES; CHICAGO GREAT WESTERN RAILWAY

APPLICATION FOR RELIEF

JUNE 26, 1951.

The Commission is in receipt of the above-entitled and numbered application for relief from the long-and-short-haul provision of section 4 (1) of the Interstate Commerce Act.

Filed by: Middlewest Motor Freight Bureau, Agent, for Chicago Great Western Railway Company and Union Transfer Co., d/b/a Union Freightways.

Commodities involved: All commodities.

Between: St. Paul, Minn., on the one hand, and Chicago, Ill., Council Bluffs, Iowa, and Kansas City, Mo., as the case may be, on the other, and between Chicago, Ill., and Kansas City, Mo.

Grounds for relief: Competition with motor carriers.

Schedules filed containing proposed rates: Middlewest Motor Freight Bureau, Agent, tariff I. C. C. No. 22, Supp. 31.

Any interested person desiring the Commission to hold a hearing upon such application shall request the Commission in writing so to do within 15 days from the date of this notice. As provided by the general rules of practice of the Commission, Rule 73, persons other than applicants should fairly disclose their interest, and the position they intend to take at the hearing with respect to the application. Otherwise the Commission, in its discretion, may proceed to investigate and determine the matters involved in such application without further or formal hearing. If because of an emergency a grant of temporary relief is found to be necessary before the expiration of the 15-day period, a hearing, upon a request filed within that period, may be held subsequently.

By the Commission, Division 2.

[SEAL] W. P. BARTEL,
Secretary.

[F. R. Doc. 51–7446; Filed, June 28, 1951; 8:52 a. m.]

[4th Sec. Application 26198]

GRAIN FROM SIOUX CITY, IOWA, TO IOWA, MINNESOTA, AND SOUTH DAKOTA

APPLICATION FOR RELIEF

JUNE 26, 1951.

The Commission is in receipt of the above-entitled and numbered application for relief from the long-and-short-haul provision of section 4 (1) of the Interstate Commerce Act.

Filed by: L. E. Kipp, Agent, for Chicago, Rock Island and Pacific Railroad Company and Chicago, St. Paul, Minneapolis and Omaha Railway Company.

Commodities involved: Grain, grain products, and seeds, carloads.

From: Sioux City, Iowa.

To: Points in Iowa, Minnesota, and South Dakota.

Grounds for relief: Circuitous routes and competition with rail carriers.

Schedules filed containing proposed rates: L. E. Kipp's tariff I. C. C. No. A–3866, Supp. 9.

Any interested person desiring the Commission to hold a hearing upon such application shall request the Commission in writing so to do within 15 days from the date of this notice. As provided by the general rules of practice of the Commission, Rule 73, persons other than applicants should fairly disclose their interest, and the position they intend to take at the hearing with respect to the application. Otherwise the Commission, in its discretion, may proceed to investigate and determine the matters involved in such application without further or formal hearing. If because of an emergency a grant of temporary relief is found to be necessary before the expiration of the 15-day period, a hear-

ing, upon a request filed within that period, may be held subsequently.

By the Commission, Division 2.

[SEAL] W. P. BARTEL, *Secretary.*

[F. R. Doc. 51-7447; Filed, June 28, 1951; 8:52 a. m.]

[4th Sec. Application 26199]

NEWSPRINT PAPER FROM COOSA PINES AND CHILDERSBURG, ALA., TO HOUSTON AND GALVESTON, TEX.

APPLICATION FOR RELIEF

JUNE 26, 1951.

The Commission is in receipt of the above-entitled and numbered application for relief from the long-and-short-haul provision of section 4 (1) of the Interstate Commerce Act.

Filed by: W. C. Neely, Attorney, for rail carriers parties to Agent D. Q. Marsh's tariff I. C. C. No. 3905.

Commodities involved: Newsprint paper, carloads.

From: Coosa Pines and Childersburg, Ala.

To: Houston and Galveston, Tex.

Grounds for relief: Competition with water carriers.

Any interested person desiring the Commission to hold a hearing upon such application shall request the Commission in writing so to do within 15 days from the date of this notice. As provided by the general rules of practice of the Commission, Rule 73, persons other than applicants should fairly disclose their interest, and the position they intend to take at the hearing with respect to the application. Otherwise the Commission, in its discretion, may proceed to investigate and determine the matters involved in such application without further or formal hearing. If because of an emergency a grant of temporary relief is found to be necessary before the expiration of the 15-day period, a hearing, upon a request filed within that period, may be held subsequently.

By the Commission, Division 2.

[SEAL] W. P. BARTEL, *Secretary.*

[F. R. Doc. 51-7448; Filed, June 28, 1951; 8:52 a. m.]

[4th Sec. Application 26200]

CORDAGE FROM NEW ORLEANS AND PORT CHALMETTE, LA., TO ILLINOIS, MISSOURI, AND WISCONSIN

APPLICATION FOR RELIEF

JUNE 26, 1951.

The Commission is in receipt of the above-entitled and numbered application for relief from the long-and-short-haul provision of section 4 (1) of the Interstate Commerce Act.

Filed by: D. Q. Marsh, Agent, for Chicago, Rock Island and Pacific Railroad Company and other carriers named in the application, pursuant to fourth-section order No. 16101.

Commodities involved: Cordage, viz: manilla and sisal rope and twine, and lath yarn, carloads.

From: New Orleans and Port Chalmette, La.

To: Chicago and East St. Louis, Ill., St. Louis, Mo., Madison, Wis., and related points.

Grounds for relief: Circuitous routes and operation through higher-rated territory.

Any interested person desiring the Commission to hold a hearing upon such application shall request the Commission in writing so to do within 15 days from the date of this notice. As provided by the general rules of practice of the Commission, Rule 73, persons other than applicants should fairly disclose their interest, and the position they intend to take at the hearing with respect to the application. Otherwise the Commission in its discretion, may proceed to investigate and determine the matters involved in such application without further or formal hearing. If because of an emergency a grant of temporary relief is found to be necessary before the expiration of the 15-day period, a hearing, upon a request filed within that period, may be held subsequently.

By the Commission, Division 2.

[SEAL] W. P. BARTEL, *Secretary.*

[F. R. Doc. 51-7449; Filed, June 28, 1951; 8:52 a. m.]

[4th Sec. Application 26201]

CINDERS, CLAY OR SHALE FROM OTTAWA, KANS., TO SOUTHWEST

APPLICATION FOR RELIEF

JUNE 26, 1951.

The Commission is in receipt of the above-entitled and numbered application for relief from the long-and-short-haul provision of section 4 (1) of the Interstate Commerce Act.

Filed by: D. Q. Marsh, Agent, for carriers parties to his tariff I. C. C. No. 3736.

Commodities involved: Cinders, clay or shale, in open top cars, carloads.

From: Ottawa, Kans.

To: Points in Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas.

Grounds for relief: Competition with rail carriers and to apply over short tariff routes rates constructed on the basis of the short line distance formula.

Schedules filed containing proposed rates: D. Q. Marsh's tariff I. C. C. No. 3736, Supp. 171.

Any interested person desiring the Commission to hold a hearing upon such application shall request the Commission in writing so to do within 15 days from the date of this notice. As provided by the general rules of practice of the Commission, Rule 73, persons other than applicants should fairly disclose their interest, and the position they intend to take at the hearing with respect to the application. Otherwise the Commission, in its discretion, may proceed to investigate and determine the matters involved in such application without further or formal hearing. If because of an emergency a grant of temporary relief is found to be necessary before the expiration of the 15-day period, a hearing, upon a request filed within that period, may be held subsequently.

By the Commission, Division 2.

[SEAL] W. P. BARTEL, *Secretary.*

[F. R. Doc. 51-7450; Filed, June 28, 1951; 8:52 a. m.]

[4th Sec. Application 26202]

FORMALDEHYDE FROM TEXAS AND OKLAHOMA TO LOUISVILLE, KY., AND KANKAKEE, ILL.

APPLICATION FOR RELIEF

JUNE 26, 1951.

The Commission is in receipt of the above-entitled and numbered application for relief from the long-and-short-haul provision of section 4 (1) of the Interstate Commerce Act.

Filed by: D. Q. Marsh, Agent, for carriers parties to his tariffs I. C. C. Nos. 3919 and 3967.

Commodities involved: Liquid formaldehyde, in tank-car loads.

From: Bishop and Winnie, Tex., and Tallant, Okla.

To: Louisville, Ky., and Kankakee, Ill.

Grounds for relief: Competition with rail carriers and to apply over short tariff routes rates constructed on the basis of the short line distance formula.

Schedules filed containing proposed rates: D. Q. Marsh's tariff I. C. C. No. 3919, Supp. 45; D. Q. Marsh's tariff I. C. C. No. 3967, Supp. 2.

Any interested person desiring the Commission to hold a hearing upon such application shall request the Commission in writing so to do within 15 days from the date of this notice. As provided by the general rules of practice of the Commission, Rule 73, persons other than applicants should fairly disclose their interest, and the position they intend to take at the hearing with respect to the application. Otherwise the Commission, in its discretion, may proceed to investigate and determine the matters involved in such application without further or formal hearing. If because of an emergency a grant of temporary relief is found to be necessary before the expiration of the 15-day period, a hearing, upon a request filed within that period, may be held subsequently.

By the Commission, Division 2.

[SEAL] W. P. BARTEL, *Secretary.*

[F. R. Doc. 51-7451; Filed, June 28, 1951; 8:22 a. m.]

SECURITIES AND EXCHANGE COMMISSION

MIDWEST STOCK EXCHANGE ET AL.

SPECIAL OFFERING PLANS; EXTENDING TIME OF EFFECTIVENESS

The Securities and Exchange Commission acting pursuant to the Securities

Exchange Act of 1934, particularly sections 10 (b) and 23 (a) thereof and § 240.10b–2 (d) (Rule X–10B–2 (d)) thereunder, deeming it necessary for the exercise of the functions vested in it, and having due regard for the public interest and for the protection of investors, does hereby declare the special offering plans of the Midwest Stock Exchange, New York Curb Exchange, New York Stock Exchange, and San Francisco Stock Exchange as now effective, to continue to be effective indefinitely on condition that if at any time it appears to the Commission necessary or appropriate in the public interest or for the protection of investors so to do the Commission may suspend or terminate the effectiveness of any or all of said plans by sending at least ten days written notice to the particular exchange or exchanges.

The Commission for good cause finds that the notice and public procedure specified in section 4 (a) and (b) of the Administrative Procedure Act are unnecessary since the above special offering plans are the same plans as those heretofore declared effective for such Exchanges; and the Commission finds further that paragraph (d) of Rule X–10B–2 and the action taken have the effect of granting exemption and relieving restriction and that therefore this action may be and is hereby declared to be effective June 30, 1951.

By the Commission.

[SEAL] ORVAL L. DUBOIS,
Secretary.

JUNE 25, 1951.

[F. R. Doc. 51–7437; Filed, June 28, 1951; 8:56 a. m.]

MIDWEST STOCK EXCHANGE ET AL.

RECORD DISPOSAL PLANS

The Securities and Exchange Commission today announced that it had declared effective Plans filed on May 15, 1951, by the Midwest Stock Exchange, Philadelphia-Baltimore Stock Exchange, and San Francisco Stock Exchange, pursuant to § 240.17a–6 (Rule X–17A–6) under the Securities Exchange Act of 1934, for the disposal of the following material.

Midwest Stock Exchange. Applications, reports, and documents filed with the Exchange prior to January 1, 1946, pursuant to sections 12, 13, 14 and 16 of the Securities Exchange Act of 1934 or the rules and regulations thereunder.

Philadelphia-Baltimore Stock Exchange. Applications, reports, and documents filed with the Exchange prior to January 1, 1946, pursuant to sections 12, 13 and 16 of the Securities Exchange Act of 1934 or the rules and regulations thereunder.

San Francisco Stock Exchange. The following applications, reports and documents filed with the Exchange prior to January 1, 1946:

(1) Forms 1–J, 2–J, 15–AN, and AN–4 filed pursuant to section 12 of Securities Exchange Act of 1934 or the rules and regulations thereunder, and

(2) Reports filed pursuant to sections 13 and 16 of the Securities Exchange Act of 1934 or the rules and regulations thereunder.

Each of the above Plans was declared effective on the condition that if at any time it appears to the Commission necessary or appropriate in the public interest or for the protection of investors, the Commission may suspend or terminate the effectiveness of any of said Plans by sending at least 10 days' written notice to the particular Exchange.

Each of the Exchanges proposes to commence the disposition of the material specified as soon as practicable. The Plan of each Exchange also provides for the regular disposition of similar material which has been on file with said Exchange more than five years, as soon as practicable after January 1st of each year. Notice of the Commission's proposal to declare these Plans effective was published for comment in Securities Exchange Act Release No. 4607.

The purpose of the Plans is to alleviate the record storage problems of each of the Exchanges and to facilitate the availability of material filed with the Exchanges within five years. Information contained in the material to be disposed of by the Exchanges is on file with the Commission where it will continue to be available.

The text of the Commission's action follows:

The Securities and Exchange Commission, acting pursuant to the Securities Exchange Act of 1934, particularly sections 17 (a), 23 (a) and 24 (b) thereof and § 240.17a–6 (Rule X–17A–6) thereunder, having due regard for the public interest and for the protection of investors, and deeming it necessary in the public interest for the protection of investors and for the exercise of the functions vested in it, does hereby declare effective the Plans filed on May 15, 1951 by the Midwest Stock Exchange, Philadelphia-Baltimore Stock Exchange, and San Francisco Stock Exchange, pursuant to Rule X–17A–6, on condition that if at any time it appears to the Commission necessary or appropriate in the public interest or for the protection of investors so to do, the Commission may suspend or terminate the effectiveness of any of said Plans by sending at least 10 days' written notice to the particular Exchange.

The Commission finds that Rule X–17A–6, and this action taken thereunder have the effect of granting exemption and relieving restriction, and that this action therefore may be and is hereby declared to be effective June 25, 1951.

By the Commission.

[SEAL] ORVAL L. DUBOIS,
Secretary.

JUNE 25, 1951.

[F. R. Doc. 51–7438; Filed, June 28, 1951; 8:56 a. m.]

[File No. 70–2648]

DERBY GAS & ELECTRIC CORP.

NOTICE OF FILING REGARDING ISSUANCE OF DEBENTURES AND OF COMMON STOCK

At a regular session of the Securities and Exchange Commission, held at its office in the city of Washington, D. C., on the 22d day of June A. D. 1951.

Notice is hereby given that a declaration has been filed with this Commission, pursuant to the Public Utility Holding Company Act of 1935 ("act"), by Derby Gas & Electric Corporation ("Derby"), a registered holding company. Applicant has designated sections 6 (a), 7 and 12 (b) of the act and Rules U–45 and U–50 promulgated thereunder as applicable to the proposed transactions.

Notice is further given that any interested person may, not later than July 6, 1951, at 5:30 p. m., e. d. s. t., request the Commission in writing that a hearing be held on such matter, stating the nature of his interest, the reasons for such request, and the issues, if any, of fact or law raised by said declaration which he desires to controvert, or may request that he be notified if the Commission should order a hearing thereon. Any such request should be addressed to the Secretary, Securities and Exchange Commission, 425 Second Street NW., Washington 25, D. C. At any time after July 6, 1951, said declaration, as filed or as amended, may be granted as provided in Rule U–23 of the rules and regulations promulgated under the act, or the Commission may exempt such transactions as provided in Rules U–20 (a) and U–100 thereof.

All interested persons are referred to said declaration which is on file in the offices of this Commission for a statement of the transactions therein proposed, which are summarized as follows:

Derby, a Delaware corporation, has three operating subsidiaries, The Derby Gas and Electric Company, a Connecticut corporation ("Derby Subsidiary"), The Wallingford Gas Light Company, a Connecticut corporation ("Wallingford"), and The Danbury and Bethel Gas and Electric Light Company, a Connecticut corporation ("Danbury"). Derby proposes to issue and sell $900,000 aggregate principal amount of debentures and such number of shares of its common stock as may be necessary to raise the amount of approximately $275,000, the number of shares sold, however, in no event to equal such number as will cause the aggregate offering price to the public to exceed $300,000.

The debentures will be issued under an indenture supplemental to the Derby indenture to Manufacturers Trust Company, Trustee, dated as of July 1, 1947. It is expected that the additional debentures will be purchased by an institutional investor for investment. The details of the terms and conditions of such additional debentures and such supplemental indenture are presently subject to negotiation and will be supplied by amendment. Such amendment will include as exhibits copies of the

purchase agreement and of the supplemental indenture.

The new debentures are expected to bear interest at the rate of approximately 3½ percent per annum, to be redeemable, and to mature July 1, 1957. It is anticipated that the supplemental indenture will provide for sinking fund payments of $9,000 per annum. The supplemental indenture may also provide for the payment of the entire $900,000 proceeds into a special fund from which Derby may draw, upon the basis of property additions since January 1, 1951.

The presently authorized capital stock of Derby consists of 400,000 shares of no par value common stock, of which 269,237 such shares are outstanding. In view of the present market value of Derby's common stock, it is expected that approximately $275,000 can be realized through the sale of approximately 12,500 additional shares of common stock.

According to the provisions of Derby's certificate of incorporation relating to preemptive rights, its stockholders will have no preemptive rights with respect to the shares of common stock proposed to be sold since such shares will be issued in accordance with a declaration that has become effective under the act.

It is proposed that approximately 12,500 shares of common stock of Derby which are the subject of this Declaration will be offered for sale to the public through an underwriter or underwriters pursuant to a negotiated transaction. The identity of the underwriter or underwriters as well as the number of shares to be sold, the price at which the shares are to be sold and the underwriting spread will be supplied by amendment.

All of the proceeds of the proposed sale of debentures and common stock of Derby will be applied toward the 1951 construction program of the Derby system, including the repayment of money which has already been borrowed from Manufacturers Trust Company and utilized for this purpose. At the date hereof Derby has borrowed $200,000 from Manufacturers Trust Company under an agreement providing for borrowing not in excess of $500,000 on short term notes. The total construction expenses are estimated to be $1,742,450. Of this amount $1,120,625 is for construction costs in connection with the electric service furnished by Derby's subsidiaries, $339,725 is in connection with the gas service furnished by Derby's subsidiaries and $282,100 is being spent in connection with the conversion of consumers' appliances to the use of natural gas, such latter amount not being a capital expense.

The funds for the 1951 construction program, other than the aforesaid $282,100 to be spent for conversion of consumers' appliances to the use of natural gas, will be donated by Derby to its subsidiaries as capital contributions. The $282,100 to be spent for conversion of consumers' appliances as aforesaid will be loaned by Derby to its subsidiary companies in the form of non-interest bearing, open-account advances. No notes or other evidences of indebtedness will be issued by the subsidiary companies. It is anticipated that the indebtedness will be liquidated by monthly payments made to Derby in amounts equal to the amounts at which the cost of the conversion of consumers' appliances is amortized over a period of years, as approved by the Public Utilities Commission of Connecticut.

The filing requests that the order of the Commission herein permitting effectiveness to the declaration become effective forthwith upon issuance thereof.

By the Commission.

[SEAL] ORVAL L. DUBOIS, *Secretary.*

[F. R. Doc. 51-7439; Filed, June 28, 1951; 8:55 a. m.]

DEPARTMENT OF JUSTICE

Office of Alien Property

AUTHORITY: 40 Stat. 411, 55 Stat. 839, Pub. Laws 322, 671, 79th Cong., 60 Stat. 50, 925; 50 U. S. C. and Supp. App. 1, 616; E. O. 9193, July 6, 1942, 3 CFR, Cum. Supp., E. O. 9567, June 8, 1945, 3 CFR, 1945 Supp., E. O. 9788, Oct. 14, 1946, 11 F. R. 11981.

[Vesting Order 18054]

ELIZABETH M. LAISE

In re: Estate of Elizabeth M. Laise, deceased. File No. D-28-10133; E. T. sec. 14426.

Under the authority of the Trading With the Enemy Act, as amended, Executive Order 9193, as amended, and Executive Order 9788, and pursuant to law, after investigation, it is hereby found:

1. That the domiciliary personal representatives, heirs-at-law, next-of-kin, legatees and distributees, names unknown, of Grete Ebeling, deceased, who there is reasonable cause to believe are residents of Germany are nationals of a designated enemy country (Germany);

2. That all right, title, interest and claim of any kind or character whatsoever of the persons identified in subparagraph 1 hereof, in and to the estate of Elizabeth M. Laise, deceased, is property payable or deliverable to, or claimed by, the aforesaid nationals of a designated enemy country (Germany);

3. That such property is in the process of administration by H. David Zerman, Jacob Levine and Imgard Killinger, Co-executors and Co-trustees, acting under the judicial supervision of the County Court of Bergen County, Probate Division, New Jersey;

and it is hereby determined:

4. That to the extent that the persons identified in subparagraph 1 hereof are not within a designated enemy country, the national interest of the United States requires that such persons be treated as nationals of a designated enemy country (Germany).

All determinations and all action required by law, including appropriate consultation and certification, having been made and taken, and, it being deemed necessary in the national interest,

There is hereby vested in the Attorney General of the United States the property described above, to be held, used, administered, liquidated, sold or otherwise dealt with in the interest of and for the benefit of the United States.

The terms "national" and "designated enemy country" as used herein shall have the meanings prescribed in section 10 of Executive Order 9193, as amended.

Executed at Washington, D. C., on June 20, 1951.

For the Attorney General.

[SEAL] HAROLD I. BAYNTON, *Assistant Attorney General, Director, Office of Alien Property.*

[F. R. Doc. 51-7473; Filed, June 28, 1951; 8:47 a. m.]

[Vesting Order 17987]

ROTTERDAMSCHE BANK, N. V.

In re: Accounts maintained in the name of Rotterdamsche Bank N. V., or Rotterdamsche Bankvereeniging N. V., or Rottendamsche Bank, or Rotterdamsche Bankvereeniging, Rotterdam, The Netherlands, and owned by persons whose names are unknown. F-49-702.

Under the authority of the Trading With the Enemy Act, as amended, Executive Orders 9193, as amended, 9788 and 9989, and pursuant to law, after investigation, it is hereby found:

1. That the property described as follows: All property, rights and interests in the accounts identified in Exhibit A set forth below and by reference made a part hereof, together with

(a) Any other property, rights and interests which represent accumulations or accruals to, changes in form of, or substitutions for, any of the property, rights and interests in said identified accounts on October 2, 1950, and which are now held in other accounts being maintained as blocked or otherwise subject to the restrictions of Executive Order 8389, as amended, or regulations, rulings, orders or instructions issued thereunder, and

(b) Any and all rights in, to and under any securities (including, without limitation, bonds, coupons, mortgage participation certificates, shares of stock, scrip and warrants) and any and all declared and unpaid dividends on any shares of stock in any of said accounts,

excepting from the foregoing, however, all lawful liens and setoffs of the respective institutions in the United States with whom the aforesaid accounts are maintained,

is property within the United States;

2. That the property described in subparagraph 1 hereof is owned, or controlled by, payable or deliverable to, held on behalf of or on account of, or owing to, or is evidence of ownership or control by persons, names unknown, who, if individuals, there is reasonable cause to believe are residents of a designated enemy country and which, if partnerships, associations, corporations, or other organizations, there is reasonable cause to believe are organized under the laws of a designated enemy country or on or since the effective date of Executive Order 8389, as amended, have had their principal places of business in a designated enemy country;

3. That the persons referred to in subparagraph 2 hereof are nationals of a designated enemy country;

and it is hereby determined:

4. That to the extent that the persons referred to in subparagraph 2 hereof are not within a designated enemy country, the national interest of the United States requires that such persons be treated as nationals of a designated enemy country.

All determinations and all action required by law, including appropriate consultation and certification, having been made and taken, and, it being deemed necessary in the national interest,

There is hereby vested in the Attorney General of the United States the property described above, to be held, used, administered, liquidated, sold or otherwise dealt with in the interest of and for the benefit of the United States.

The terms "national" and "designated enemy country" as used herein shall have the meanings prescribed in section 10 of Executive Order 9193, as amended, and the term "designated enemy country" has reference to Germany or Japan.

Executed at Washington, D. C., on May 31, 1951.

For the Attorney General.

[SEAL] HAROLD I. BAYNTON,
Assistant Attorney General,
Director, Office of Alien Property.

EXHIBIT A

[Accounts maintained in the name of Rotterdamsche Bank N. V., or Rotterdamsche Bankvereeniging N. V., or Rotterdamsche Bank or Rotterdamsche Bankvereeniging, Rotterdam, The Netherlands]

Column I Name and address of institution which maintains account	Column II Designation of account
1. Bankers Trust Co., 16 Wall St., New York, N. Y.	(a) Stock (nontax treaty a/c), as described by the Bankers Trust Co., in its report on Form OAP-700, bearing its Serial No. CU No. 12. (b) Bullion, currency, and deposits, as described by the Bankers Trust Co., in its report on Form OAP-700, bearing its Serial No. BK-10. (c) Miscellaneous stocks (tax treaty a/c), as described by the Bankers Trust Co., in its report on Form OAP-700, bearing its Serial No. CU No. 11.
2. Irving Trust Co., 1 Wall St., New York 15, N. Y.	(a) Demand deposit account, as described by the Irving Trust Co., in its report on Form OAP-700, bearing its Serial No. 0031. (b) Miscellaneous stocks (blocked Dutch residents account), as described by the Irving Trust Co., in its report on Form OAP-700, bearing its Serial No. 45.
3. Bank of the Manhattan Co. 40 Wall St., New York, N. Y.	Bank deposit, as described by the Bank of the Manhattan Co. in its report on Form OAP-700, bearing its Serial No. 060.
4. Continental Illinois National Bank & Trust Co. of Chicago, 231 South LaSalle St., Chicago 90, Ill.	Bank deposit, as described by the Continental Illinois National Bank & Trust Co. of Chicago in its report on Form OAP-700, bearing its Serial No. 32.
5. Seattle-First National Bank, 2d at Cherry St., Seattle, Wash.	Checking account, as described by the Seattle-First National Bank in its report on Form OAP-700, dated Nov. 14, 1950.
6. The National City Bank of New York, 55 Wall St., New York 5, N. Y.	Current uncertified account, as described by The National City Bank of New York in its report on Form OAP-700, bearing its Serial No. 0120.
7. Guaranty Trust Co., of New York, 140 Broadway, New York, N. Y.	(a) Rotterdamsche Bank N. V., 119 Coolsingel, Rotterdam, Holland, as described by the Guaranty Trust Company of New York in its report on Form OAP-700, bearing its Serial No. FB 90. (b) Miscellaneous portfolio of stocks and bonds regular account, a/c XC-8180, as described by the Guaranty Trust Company of New York in its report on Form OAP-700, bearing its serial No. CU 0078.
8. The Chase National Bank of the City of New York, 18 Pine St., New York, N. Y.	(a) Old account, blocked Holland, (b) Clients a/c (set up a/c), blocked Holland, Germany, France, Portugal, Belgium, and Spain, and (c) Old a/c a/c F blocked Holland; as described by The Chase National Bank of the City of New York in its report on Form OAP-700, bearing its Serial No. 289, (d) Designated clients a/c Dutch residents a/c (PS-86276), and (e) Designated clients a/c non-residents a/c (FS-86574), as described by The Chase National Bank of the City of New York in its report on Form OAP-700, bearing its Serial No. 332.

[F. R. Doc. 51-7470; Filed, June 28, 1951; 8:47 a. m.]

[Vesting Order 18087]

GEORGE MOLHOFF

In re: Estate of George Molhoff, also known as Gus Molhoff, deceased. Files: D-28-12753 and D-28-12753-C-1; E. T. sec. 16972.

Under the authority of the Trading With the Enemy Act, as amended, Executive Order 9193, as amended, and Executive Order 9788, and pursuant to law, after investigation, it is hereby found:

1. That Julius Molhoff, Christhof Molhoff, Karl Molhoff, a son of Christhof Molhoff, Albert Molhoff, Else Molhoff, Herman Molhoff, George Molhoff, Luise Molhoff, Karl Molhoff, a brother of George Molhoff, also known as Gus Molhoff, Minnie Molhoff and Augusta Warnecke, whose last known address is Germany, are residents of Germany and nationals of a designated enemy country (Germany);

2. That the domiciliary personal representatives, heirs, next-of-kin, legatees and distributees, names unknown, of Julius Molhoff, deceased, and of Christhof Molhoff, deceased, who there is reasonable cause to believe are residents of Germany, are nationals of a designated enemy country (Germany);

3. That all right, title, interest and claim of any kind or character whatsoever of the persons identified in subparagraphs 1 and 2 hereof, and each of them, in and to the sum of $9,822.47, deposited with the State Treasurer of Colorado, Denver, Colorado, pursuant to an order of the County Court for the City and County of Denver, Denver, Colorado, dated March 2, 1943, in the Matter of the Estate of George Molhoff, also known as Gus Molhoff, deceased, is property within the United States owned or controlled by, payable or deliverable to, held on behalf of, or on account of, or owing to, or which is evidence of ownership or control by, the aforesaid nationals of a designated enemy country (Germany);

and it is hereby determined:

4. That to the extent that the persons named in subparagraph 1 hereof and the domiciliary personal representatives, heirs, next-of-kin, legatees and distributees, names unknown, of Julius Molhoff, deceased, and of Christhof Molhoff, deceased, are not within a designated enemy country, the national interest of the United States requires that such persons be treated as nationals of a designated enemy country (Germany).

All determinations and all action required by law, including appropriate consultation and certification, having been made and taken, and it being deemed necessary in the national interest,

There is hereby vested in the Attorney General of the United States the property described above, to be held, used, administered, liquidated, sold or otherwise dealt with in the interest of and for the benefit of the United States.

The terms "national" and "designated enemy country" as used herein shall have the meanings prescribed in section 10 of Executive Order 9193, as amended.

Executed at Washington, D. C., on June 26, 1951.

For the Attorney General.

[SEAL] HAROLD I. BAYNTON,
Assistant Attorney General,
Director, Office of Alien Property.

[F. R. Doc. 51-7474; Filed, June 28, 1951; 8:48 a. m.]

[Vesting Order 18007]

SWISS BANK CORP.

In re: Accounts maintained in the name of Swiss Bank Corporation, Zurich, Switzerland, and owned by persons whose names are unknown. F-63-2748.

Under the authority of the Trading With the Enemy Act, as amended, Executive Orders 9193, as amended, 9788 and 9989, and pursuant to law, after investigation, it is hereby found:

1. That the property described as follows: All property, rights and interests in the accounts identified in Exhibit A attached hereto and by reference made a part hereof, together with

(a) Any other property, rights and interests which represent accumulations or accruals to, changes in form of, or substitutions for, any of the property, rights and interests in said identified accounts on October 2, 1950, and which are now held in other accounts being maintained as blocked or otherwise subject

to the restrictions of Executive Order 8389, as amended, or regulations, rulings, orders or instructions issued thereunder, and

(b) Any and all rights in, to and under any securities (including, without limitation, bonds, coupons, mortgage participation certificates, shares of stock, scrip and warrants) and any and all declared and unpaid dividends on any shares of stock, in any of said accounts,

excepting from the foregoing, however, all property, rights and interests which are expressly excluded in the attached Exhibit A, and all lawful liens and set-offs of the respective institutions in the United States with whom the aforesaid accounts are maintained.

is property within the United States;

2. That the property described in subparagraph 1 hereof is owned or controlled by, payable or deliverable to, held on behalf of or on account of or owing to, or is evidence of ownership or control by persons, names unknown, who, if individuals, there is reasonable cause to believe are residents of a designated enemy country and which, if partnerships, associations, corporations, or other organizations, there is reasonable cause to believe are organized under the laws of a designated enemy country or on or since the effective date of Executive Order 8389, as amended, have had their principal places of business in a designated enemy country;

3. That the persons referred to in subparagraph 2 hereof are nationals of a designated enemy country;

and it is hereby determined:

4. That to the extent that the persons referred to in subparagraph 2 hereof are not within a designated enemy country, the national interest of the United States requires that such persons be treated as nationals of a designated enemy country.

All determinations and all action required by law, including appropriate consultation and certification, having been made and taken, and, it being deemed necessary in the national interest,

There is hereby vested in the Attorney General of the United States the property described above, to be held, used, administered, liquidated, sold or otherwise dealt with in the interest of and for the benefit of the United States.

The terms "national" and "designated enemy country" as used herein shall have the meanings prescribed in section 10 of Executive Order 9193, as amended, and the term "designated enemy country" has reference to Germany or Japan.

Executed at Washington, D. C., on June 5, 1951.

For the Attorney General.

[SEAL] HAROLD I. BAYNTON,
Assistant Attorney General,
Director, Office of Alien Property.

EXHIBIT A

[Accounts maintained in the name of Swiss Bank Corporation, Zurich, Switzerland]

Column I Name and address of institution which maintains account	Column II Designation of account	Column III Property, rights, and interests in the account as of Oct. 2, 1950, excluded from this vesting order [1]
Swiss Bank Corp., New York Agency, 15 Nassau St., New York, N. Y.	1. Ordinary a/c consisting of cash in the amount of $424,502 as described on page 1 of the rider Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 2. Ordinary a/c General Ruling 6/17 consisting of cash in the amount of $4,481.00 as described on page 1 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, as amended by its letter of January 30, 1951, 3. Ordinary a/c General Ruling 6/17 consisting of cash in the amount of $2,202 as described on page 1 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 4. Ordinary a/c General Ruling 6/17 consisting of cash in the amount of $8,271 as described on page 1 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 5. Ordinary a/c general ruling 6/17 consisting of cash in the amount of $3 as described on page 1 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 6. Ordinary a/c general ruling 6, 7. Ordinary a/c consisting of securities payable in dollars, of indeterminable value, and securities not payable in dollars, of indeterminable value, as described on page 2 of the Rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 8. Ordinary a/c consisting of securities payable in dollars, valued at $57,156 as described on page 2 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 9. Ordinary a/c general ruling 6/17 consisting of cash in the amount of $2,983 and securities payable in dollars, valued at $25, as described on page 2 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 10. Ordinary a/c consisting of securities payable in dollars, valued at $60,541, as described on page 2 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 11. Ordinary a/c general ruling 6/17 consisting of cash in the amount of $12,340 as described on page 2 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 12. Special a/c A. R. Vulpius, 13. Special a/c A. G. Vulpius, 14. Special a/c 8139, 15. Special a/c 8139, general ruling 6/17, 16. Special a/c 8265, 17. Special a/c 9007, 18. Special a/c 9007, general ruling 6/17, 19. Special a/c 9007, Kunden, 20. Special a/c 9007 Kunden general ruling 6/17, 21. Special a/c 9039, 22. Special a/c 9039 Kunden, 23. Special a/c 9039 Kunden general ruling 6/17, 24. Special a/c 10381/850, 25. Special a/c 10381/850 general ruling 6/17, 26. Special a/c 10388-5, 27. Special a/c 10388-5 general ruling 6/17, 28. Special a/c 11472, 29. Special a/c 11930, 30. Special a/c 19482, 31. Special a/c 19482 general ruling 6/17, 32. Special a/c 20645 general ruling 6/17, 33. Special a/c 20645 general ruling 6/17, 34. Special a/c 23242, 35. Special a/c 23242 general ruling 6/17, 36. Special a/c 24990, 37. Special a/c 24990 general ruling 6/17, 38. Special a/c 25837, 39. Special a/c 25837 general ruling 6/17, 40. Special a/c 26963, 41. Special a/c 27597, 42. Special a/c 27597 general ruling 6/17 43. Special a/c 27668 general ruling 6/17 44. Special a/c 27780, 45. Special a/c 27780 general ruling 6/1 46. Special a/c 27885, 47. Special a/c 28504, 48. Special a/c 28686, 49. Special a/c 28686 general ruling 6/17 50. Special a/c 29588, 51. Special a/c 30027, 52. Special a/c 30027 general ruling 6/17 53. Special a/c 32356, 54. Special a/c 32356 general ruling 6/17, 55. Special a/c 33596, 56. Special a/c 33596 general ruling 6/17, 57. Special a/c 33743, 58. Special a/c 33743 general ruling 6/17, 59. Special a/c 34408 general ruling 6/17, 60. Special a/c 34768, 61. Special a/c 34768 general ruling 6/17, 62. Special a/c 35102, 63. Special a/c 37092, 64. Special a/c 37400, 65. Special a/c 42360, 66. Special a/c 43046, 67. Special a/c 43046 general ruling 6/17, 68. Special a/c 43073, 69. Special a/c 43073 general ruling 6/17,	$144,366.68 which according to license application No. NY 870323 filed by Swiss Bank Corporation, New York Agency, on behalf of Swiss Bank Corporation, Zurich, is owned by persons domiciled in Bulgaria, Roumania and Hungary.

See footnote at end of table.

EXHIBIT A—Continued

Column I Name and address of institution which maintains account	Column II Designation of account	Column III Property, rights and interests in the account as of Oct. 2, 1950, excluded from this vesting order [1]
Swiss Bank Corp., New York Agency, 15 Nassau St., New York, N. Y.	70. Special a/c 60190, 71. Special a/c 60258, 72. Special a/c 60311, 73. Special a/c 60311 general ruling 6/17, 74. Special a/c 60512, 75. Special a/c 60512 general ruling 6/17, 76. Special a/c 61534, 77. Special a/c 61643, 78. Special a/c 61643 general ruling 6/17, 79. Ordinary a/c CD 82, 80. Ordinary a/c CD 189 81. Ordinary a/c CD 235, 82. Special a/c 60090 83. Ordinary a/c general ruling 6/17 consisting of cash in the amount of $2,072 as described on page 6 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, as amended by its letter of Jan. 30, 1951, 84. Ordinary account general ruling 6/17 consisting of cash in the amount of $38 as described on page 6 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 85. Ordinary account general ruling 6/17 consisting of cash in the amount of $141 as described on page 6 of the rider to Form OAP-700 filed by Swiss Bank Corp., New York Agency, bearing its Serial No. 0079, 86. Special a/c 26762, 87. Special a/c 26762 general ruling 6/17, 88. Special a/c 60847, 89. Special a/c 61303, 90. Special a/c 35943 general ruling 6/17, 91. Special a/c 39861 general ruling 6/17, 92. Special a/c 38031, 93. Special a/c 39123, 94. Special a/c 39123 general ruling 6/17, 95. Special a/c 44066, 96. Special a/c 60232, 97. Special a/c 60232 general ruling 6/17, and 98. Ordinary a/c ident. 593; as described by the Swiss Bank Corp., New York Agency, in its report on Form OAP-700, bearing its Serial No. 0079, as amended by its letter of Mar. 15, 1951.	

[1] Also excluded from this vesting order are (a) any accumulations or accruals to, changes in form of, or substitutions for, any such property, rights and interests, since Oct. 2, 1950 and (b) any and all rights in, to and under any securities, (including, without limitation, bonds, coupons, mortgage participation certificates, shares of stock, scrip and warrrants) and any and all declared and unpaid dividends on any shares of stock, listed in column III or excluded under (a) of this footnote.

[F. R. Doc. 51-7472; Filed, June 28, 1951; 8:47 a. m.]

[Return Order 998]

ELISA FERIGO, ET AL.

Having considered the claim set forth below and having issued a determination allowing the claim, which is incorporated by reference herein and filed herewith,

It is ordered, That the claimed property, described below and in the determination, be returned, subject to any increase or decrease resulting from the administration thereof prior to return, and after adequate provision for taxes and conservatory expenses:

Claimant, Claim No., Notice of Intention To Return Published, and Property

Elisa Ferigo, Ines Ferigo, Teresita Businelli, Antonio Businelli, Erminio Clonfero, Udine, Italy; Lucia Milani, Venezia, Italy; Claim No. 39887; February 2, 1951 (16 F. R. 1782); $71,795.11 in the Treasury of the United States, and all right, title, interest and claim of any kind or character whatsoever of Joseph Ferigo, deceased, in and to the following property: property located at 190 Hutchinson Boulevard, Mt. Vernon, New York; property located at 433 W. 46th Street, New York, N. Y., Life Annuity Contract No. 1280 issued by the Metropolitan Life Insurance Company to Joseph Ferigo, dated May 2, 1921; and a claim for $35,037.90 balance owed as of September 19, 1941 by Ashforth and Company, Ltd., formerly doing business at 501 Fifth Avenue, New York, N. Y.; Elisa Ferigo to receive a ⅗ interest and Ines Ferigo, Teresita Businelli, Antonio Businelli, Erminio Clonfero and Lucia Milani to receive a ½ interest each.

Appropriate documents and papers effectuating this order will issue.

Executed at Washington, D. C., on June 22, 1951.

For the Attorney General.

[SEAL] HAROLD I. BAYNTON,
Assistant Attorney General, Director, Office of Alien Property.

[F. R. Doc. 51-7476; Filed, June 28, 1951; 8:48 a. m.]

[Return Order 992]

WALTER HECHT

Having considered the claim set forth below and having issued a determination allowing the claim, which is incorporated by reference herein and filed herewith,

It is ordered, That the claimed property, described below and in the determination, including all royalties accrued thereunder and all damages and profits recoverable for past infringement thereof, be returned after adequate provision for taxes and conservatory expenses:

Claimant, Claim No., Notice of Intention To Return Published, and Property

Walter Hecht, Sinabelkirchen, Steiermark, Austria; Claim No. 37789; May 15, 1951 (16 F. R. 4517); property described in Vesting Order No. 201 (8 F. R. 625, January 16, 1943), relating to U. S. Letters Patent No. 2,261,368 and Vesting Order No. 205 (7 F. R. 8669, October 27, 1942), relating to Patent Application Ser. No. 388188 (now U. S. Letters Patent No. 2,309,391). This return shall not be deemed to include the rights of any licensees under the above patents.

Appropriate documents and papers effectuating this order will issue.

Executed at Washington, D. C., on June 22, 1951.

For the Attorney General.

[SEAL] HAROLD I. BAYNTON,
Assistant Attorney General, Director, Office of Alien Property.

[F. R. Doc. 51-7475; Filed, June 28, 1951; 8:48 a. m.]

[Vesting Order 18006]

SWISS BANK CORP.

In re: Accounts maintained in the name of Swiss Bank Corporation or Societe de Banque Suisse Zurich, Switzerland, and owned by persons whose names are unknown. F-63-2748.

Under the authority of the Trading With the Enemy Act, as amended, Executive Orders 9193, as amended, 9788 and 9989, and pursuant to law, after investigation, it is hereby found:

1. That the property described as follows: All property, rights and interests in the accounts identified in Exhibit A set forth below and by reference made a part hereof, together with

(a) Any other property, rights and interests which represent accumulations or accruals to, changes in form of, or substitutions for, any of the property, rights and interests in said identified accounts on October 2, 1950, and which are now held in other accounts being maintained as blocked or otherwise subject to the restrictions of Executive Order 8389, as amended, or regulations, rulings, orders or instructions issued thereunder, and

(b) Any and all rights in, to and under any securities (including, without limitation, bonds, coupons, mortgage participation certificates, shares of stock, scrip and warrants) and any and all declared and unpaid dividends on any shares of stock in any of said accounts,

excepting from the foregoing, however, all lawful liens and setoffs of the respective institutions in the United States with whom the aforesaid accounts are maintained,

is property within the United States;

2. That the property described in subparagraph 1 hereof is owned or controlled by, payable or deliverable to, held on behalf of or on account of, or owing to, or is evidence of ownership or control by persons, names unknown, who, if in-

dividuals, there is reasonable cause to believe are residents of a designated enemy country and which, if partnerships, associations, corporations, or other organizations, there is reasonable cause to believe are organized under the laws of a designated enemy country or on or since the effective date of Executive Order 8389, as amended, have had their principal places of business in a designated enemy country;

3. That the persons referred to in subparagraph 2 hereof are nationals of a designated enemy country;

and it is hereby determined:

4. That to the extent that the persons referred to in subparagraph 2 hereof are not within a designated enemy country, the national interest of the United States requires that such persons be treated as nationals of a designated enemy country.

All determinations and all action required by law, including appropriate consultation and certification, having been made and taken, and, it being deemed necessary in the national interest,

There is hereby vested in the Attorney General of the United States the property described above, to be held, used, administered, liquidated, sold or otherwise dealt with in the interest of and for the benefit of the United States.

The terms "national" and "designated enemy country" as used herein shall have the meanings prescribed in section 10 of Executive Order 9193, as amended, and the term "designated enemy country" has reference to Germany or Japan.

Executed at Washington, D. C., on June 5, 1951.

For the Attorney General.

[SEAL] HAROLD I. BAYNTON,
Assistant Attorney General,
Director, Office of Alien Property.

EXHIBIT A

[Accounts maintained in the name of Swiss Bank Corporation or Societe de Banque Suisse Zurich, Switzerland]

Column I Name and address of institution which maintains account	Column II Designation of account
1. Harris, Upham & Co., 14 Wall St., New York 5, N. Y.	(a) General ruling No. 6 account, and (b) miscellaneous portfolio of securities; as described by Harris, Upham & Co. in its report on Form OAP-700.
2. Dominick & Dominick, 14 Wall St., New York 5, N. Y.	(a) Societe de Banque, Suisse, Zurich, general ruling No. 6 account as reported by Dominick & Dominick in their report on Form OAP-700, bearing their serial No. 29; (b) Societe de Banque, Suisse, Zurich, as reported by Dominick & Dominick in their report on Form OAP-700, bearing their serial No. 30.
3. Brown Bros. Harriman & Co., 59 Wall St., New York 5, N. Y.	(a) Societe de Banque, Suisse, Zurich, general ruling No. 6 account as described by Brown Bros. Harriman & Co. in its report on Form OAP-700, bearing its serial No. 76; (b) Societe de Banque, Suisse, Zurich, blocked account, as described by Brown Bros. Harriman & Co. in its report on Form OAP-700, bearing its Serial No. 77.

[F. R. Doc. 51-7471; Filed, June 28, 1951; 8:47 a. m.]